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ABSTRACTS

Rational Deterrence in an Imperfect World

By BARRY NALEBUFF

This paper considers the role of reputation and signaling in establishing deterrence. The cost-benefit calculations of rational deterrence are extended to allow for incomplete or imperfect information. The author uses requirements of a sequential equilibrium (and its refinements) to impose consistency restrictions on how strategic players signal a reputation for strength. This provides a way to interpret potentially misleading reputations and offers a resolution to the reputation paradox of Jervis.

Global Communications and National Power: Life on the Pareto Frontier

By STEPHEN D. KRASNER

Regime analysis has focused on issues of market failure, the resolution of which depends upon knowledge and institution building. Global communications regimes, however, have been concerned either with issues of pure coordination or with coordination problems with distributional consequences. Outcomes have been decided by the underlying distribution of national power. In those areas where power was asymmetrically distributed and there was no agreement on basic principles and norms—radio broadcasting and remote sensing—no regime was formed. In those areas where distributional issues could not be unilaterally resolved—allocation of the radio spectrum and telecommunications—regimes were created, although both principles and rules changed with alterations in national power capabilities.

Some Consequences of Giantism: The Case of India

By JOHN P. LEWIS

Economists tend to discount national size in their explanations of development, on the mistaken assumption that all aspects of big and little economies are proportionate. Taking population as the measure of "size," and focusing on the second of the four demographic giants (China, India, USSR, U.S.), the present analysis dwells on the proposition that giantism adds the awkwardness of more layers to official hierarchies. There are two escapes: acceptable decentralization, that is, downward delegation, and "sideways delegation" to such servomechanisms as self-adjusting markets. India not only needs the market for coping with giantism; its size makes its market substantially different—and on balance better—if government can avoid balkanizing its internal economic space. Giantism has, as well, some human-resource dimensions (it may lend the advantage of critical mass to training of skilled elites) and certainly some international aspects (the trade-to-GNP ratios of giant countries, their aid receipts per capita, and their votes per capita in multilateral institutions are all low).

Room to Maneuver in the Middle: Local Elites, Political Action, and the State in India

By SUBRATA KUMAR MITRA

The intuitively plausible relationship between protest behavior and political instability is empirically supported by a large number of studies. Statistical evidence in support of this conjecture is provided by the correlation between indicators of protest behavior such as the presence of extremist parties and groups or the salience of an antisystem dimension and the rapid rise and fall of governments. The theories of writers such as Huntington, Gurr, and Davies suggest that when social and political mobility overtake the rate of economic growth, the result is radical challenge to the system by extremist parties and protest movements,

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leading to political instability and the loss of legitimacy. The main argument of this article is that the relationship between protest behavior and legitimacy may be more complicated than that, particularly when state responsiveness under the impact of popular protest and redistributive economic policies is seen as an intervening factor. By drawing on a survey of local elites in India, the article shows that certain forms of protest behavior, used in conjunction with conventional forms of participation such as contacting bureaucrats and political leaders at higher levels, might actually contribute to greater legitimacy of the state by providing an alternative channel of participation, extending the political agenda, and contributing to the recruitment of new and previously powerless social forces.

Oligarchs and Cronies in the Philippine State: The Politics of Patrimonial Plunder

By PAUL D. HUTCHCROFT

Five years after the downfall of Ferdinand E. Marcos, scholars of Philippine politics have yet to achieve even minimal consensus on the proper characterization of his authoritarian regime. More importantly, scholarship has failed to account for fundamental continuity, across regimes, in the way in which dominant economic interests interact with the Philippine state. The author argues that a focus on patrimonial aspects of the Philippine state will not only bring a greater sense of coherence to many disparate aspects of Marcos's rule, but will also lead to clearer understanding of enduring characteristics of the Philippine political economy. Throughout the postwar years, political administration is often treated as a personal affair, and the assignment of privileges granted by the state is largely determined by the personal discretion of those oligarchs currently holding official position. The article explores factors that help to explain why there has been no effective pressure from either domestic or external forces to undermine the patrimonial features of the state, and suggests that future research should analyze why patrimonial features have persisted in the Philippines despite enormous change, yet elsewhere seem to have subsided in the face of change.

Does Modernization Breed Ethnic Political Conflict?

By SAUL NEWMAN

Until the early 1970s many scholars believed that the process of economic modernization would result in the decline of ethnic political activity throughout the world. This melting pot modernization perspective failed on both theoretical and empirical grounds. After its collapse, scholars promoted a new conflictual modernization approach, which argued that modernization brought previously isolated ethnic groups into conflict. Although this approach accounted for the origins of ethnic conflict, it relied too heavily on elite motivations and could not account for the behavior of ethnic political movements. In the last five years, scholars have tried to develop a psychological approach to ethnic conflict. These scholars see conflict as stemming from stereotyped perceptions of differences among ethnic groups. This approach fails to analyze the tangible group disparities that reinforce these identifications and that may serve as the actual catalysts for ethnic political conflict. The conflictual modernization approach is reinvigorated by applying it to the cases of ethnic conflict in Canada and Belgium. In both of these countries the twin processes of economic modernization and political centralization intensified ethnic conflict while stripping ethnic movements of the romantic cultural ideologies and institutional frameworks that could provide these movements with some long-term stability. Thus, by integrating the modernization approach with a resource mobilization perspective we can develop theories that can account for ethnic conflict throughout the world.

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RATIONAL DETERRENCE IN AN IMPERFECT WORLD

By BARRY NALEBUFF*

I. Introduction

THIS paper applies recent economic research on games with incomplete information to the calculus of deterrence.[1] We do not attempt to provide a complete theory of rational deterrence. The focus is on the role of reputation and signaling in establishing deterrence. We show how strategic players signal a reputation for strength from the perspective of an internally consistent equilibrium model.

The theory of rational deterrence is based on the application of cost-benefit analysis to conflict initiation. The costs of conflict are compared with the benefits of cooperation; if all parties prefer cooperation, then the status quo will prevail and a potential conflict is avoided. Even at that level of generality, the theory is incomplete. A critical missing ingredient is the role of expectations.

A country's valuation of initiating a conflict depends on its belief about an adversary's intentions. This belief in turn depends on the perception of the adversary's own cost-benefit calculations. The fundamental problem is that all of these calculations and expectations are based on imperfect and incomplete information. The costs and benefits calculations combine subjective and objective elements. Parties in conflict are likely to view the situation from very different perspectives. How does rational deterrence apply when there is no objective set of calculations on which all parties can agree? In this paper, we show how to proceed with the necessary cost-benefit calculations in the presence of incomplete or imperfect information. The method is based on looking for a set of self-confirming beliefs. Consequently, there is no longer any guarantee that the calculations will provide a unique answer. In spite of this indeterminacy, we believe that the result is a much richer theory of rational deterrence.

The fundamental conceptual difficulty is the necessity of forming be-

* This paper has benefited from the generous comments of Michael Intriligator, Robert Jervis, John Vickers, and my SOM Thursday lunch colleagues. I thank the Pew Charitable Trust for financial support through their grant to the Princeton Center of International Studies.

[1] In truth, the calculus of deterrence might better have been called algebra.

World Politics 43 (April 1991), 313–35

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liefs in the event that something which should never happen happens. For example, imagine that the cost-benefit calculation indicates that deterrence should work; then what do we believe about an adversary if deterrence fails? It would seem that a failure of deterrence indicates a failure of the model, and hence using the model to form expectations would seem to be a futile exercise. This is false. One must imagine the counterfactual possibility in order to perform the cost-benefit comparison that shows why deterrence should succeed.

The predicted probabilities derived from a rational deterrence model are endogenous and thus fundamentally different from the probability associated with the meteorologist's forecast of rain. If the weatherperson predicts a 100 percent chance of rain and it fails to rain, this should serve as conclusive evidence that the forecaster's model is flawed. But if a model predicts that deterrence should be 100 percent successful, that prediction can only be made by considering the costs and benefits associated with the event that deterrence fails. Our procedure for calculating the endogenous probabilities considers the "impossible" event in order to demonstrate that it will never happen.

This paper has two objectives. One is to defang the reputation paradox of Jervis. The second is to explain and motivate recent refinements in equilibrium theory. Each of the theoretical results is illustrated with a simple arithmetic example. The resulting equilibria offer different perspectives on how to interpret potentially misleading reputations and suggest several resolutions to the reputation paradox.

Section II begins with a general discussion of reputation. The possibility that reputations can be strategically manipulated leads to a paradox. This paradox is described in Section III, using the *Mayagüez* rescue as a case study. One resolution to the reputation paradox is presented in Section IV, where we present the idea of a sequential equilibrium. Increasingly sophisticated methods of interpretation lead to the refinements of Section V. Section VI offers a brief conclusion.

II. Reputation

A critical part of any rational deterrence calculation is to input the relevant payoffs. What should we believe about others and what should they believe about us? If preferences and payoffs were all known, then payoffs would be objective and specification straightforward. But in the presence of uncertainty and with the possibility of misperception, the payoff inputs are no longer clear. There arises a need to signal our objectives and to interpret the signals of others. How we communicate our objectives

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(or how we hide them) becomes an integral part of the rational deterrence calculations.

One primary component of communication is the use of reputation. No cost-benefit calculation can be done in isolation. Each incident becomes part of the history for the future. Consequently, the cost-benefit calculation that leads to certain behavior in the present reflects on how one will act in future cases. During the Berlin crisis in 1961 John F. Kennedy explained the importance of the U.S. reputation: "If we do not meet our commitments to Berlin, where will we later stand? If we are not true to our word there, all that we have achieved in collective security, which relies on these words, will mean nothing."[2]

The problem is that everyone has an incentive to talk tough. Making the correct inference is not straightforward. In a chapter entitled "Signals and Lies," Robert Jervis explains: "Whether the state is lying or honest it will try to issue those signals which it thinks will get its desired image accepted. . . . Both an honest man and a liar will answer affirmatively if asked whether they will tell the truth."[3]

Thus we judge actors by their actions rather than their words. Reputation, based on a long and consistent history of behavior, helps predict the future. The Mayflower furniture company along the Massachusetts Turnpike proudly advertises that it has gone 127 years without a sale. (Are they still waiting for their first customer?) This unconditional commitment to everyday low prices brings in a year-round steady stream of customers. A sale might temporarily raise profits, but it would be another 127 years before they could repeat such a clever advertisement. Next year, we expect the sign will read 128 years. The reputation becomes self-perpetuating as it becomes more valuable.[4]

Rarely do politicians or countries have the opportunity to establish such a long-standing reputation. Moreover, the application of the reputation is not nearly so much in their control. The reputation of the Mayflower furniture company is sufficient to deter one particular event, a sale. Countries are not so fortunate; reputations must be built to deter unforeseen future events.

A country's reputation is multidimensional, and yet there are rarely more than a few observations on which to base beliefs. The problem with integrating reputation into the cost-benefit calculations is that one must extrapolate out of the sample. How might President Kennedy's response

[2] Quoted in F. Ikle, *How Nations Negotiate* (New York: Harper and Row, 1964), 67.

[3] Jervis, *The Logic of Images in International Relations* (Princeton: Princeton University Press, 1970).

[4] Sadly, we must report that the Mayflower furniture store recently had its first sale, a going-out-of-business sale.

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to Berlin forecast the U.S. response to a Soviet invasion of Europe? Did Kennedy's reputation extend to President Johnson? Could the U.S. invasion of Panama be predicted from the response in Grenada?

The problem is further complicated by the endogenous nature of the inferences. *The value of a reputation depends on how others interpret it.* This in turn affects the willingness to create the reputation in the first place. The strategic use of reputation cannot be evaluated in isolation. It must be part of an equilibrium model.

The advantage of a formal model is that it forces us to integrate the consistency requirements of equilibrium with the strategic use of signaling. Reputation is presented as a continuous variable. Consequently, the issue is no longer whether to believe but *how much* to believe based on what one sees. The equilibrium level of reputation defines the extent to which one may attempt to extrapolate the future from the past.

III. Signaling and Deterrence: A Paradox

To discuss the role of signaling and reputation as part of deterrence, we start with the work of Robert Jervis. His analysis has been at center stage beginning with *The Logic of Images in International Relations*. An interesting and seemingly counterintuitive theme from Jervis is that signaling may be counterproductive. A country may get stuck in a negative feedback cycle. He uses the *Mayagüez* rescue as a representative case study.

After the U.S. retreated from Vietnam, it was important for the Americans to reestablish a reputation for toughness. The rescue of the *Mayagüez* seemed to provide the perfect opportunity. On Monday morning, May 12, 1975, a U.S. vessel called the *Mayagüez* was captured by a Cambodian torpedo boat. The Cambodians accused the ship of spying.[5] President Ford first attempted to negotiate the release of ship and crew. But there was no diplomatic response from the Cambodians. Instead, they fired at the U.S. reconnaissance planes flying over the *Mayagüez*. On Wednesday evening President Ford sent in the marines. Although there were heavy marine casualties (partly due to poor intelligence about the ship's location), the captain and his thirty-eight crewmen were rescued. The *New York Times* reported as follows:

> [Both politicians and the public] saw the event as a re-assertion of American will after this country's disorderly retreat from Indochina. . . . Ever since the American evacuation from Saigon, Administration officials had

[5] But after an interpreter was found, the crew did not appear to be in immediate danger. The Cambodian captors were apparently persuaded that the *Mayagüez* was not a spy boat.

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> been saying frankly that America's international stature could be restored by a demonstration of strength.[6]

While the stated purpose was solely to rescue the *Mayagüez* crew, even the headlines read "Ford Sends a Signal." The *New York Times* article continued: "The Administration has been specific about one nation, North Korea, to which it would like to send a clear, strong signal since the defeat in Indochina. Now they say the signal has been sent: Don't make a move against South Korea without expecting American military intervention."

Was it rational to expect that rescuing the *Mayagüez* would restore the U.S. reputation for strength? If so, then the *Mayagüez* rescue would have been done even by a "weak" U.S. government, for this would be a small price to reestablish its reputation. But then observers should realize that intervention is no longer a signal of strength. Nothing is learned from the American behavior, since both a tough and a weak U.S. would pursue the same strategy. Jervis explains the difficulty in drawing inferences:

> This raises [a] problem with such inferences about resolve. Beliefs like these will undermine rather than support themselves: if the U.S. felt that fighting a small war for a country of little intrinsic value would lead others to conclude that it would display high resolve in a dangerous confrontation, then this action would not provide reliable evidence because the U.S. would fight the small war in order to create a favorable impression irrespective of whether or not it would run high risks in a nuclear exchange.[7]

If we take this argument to its logical conclusion, the U.S. allies (and adversaries) should pay no attention to the U.S. theatrics of acting tough. It has no signaling value. This brings us around full circle. If acting tough does not improve one's reputation, then what is the reason for a weak party to pretend to be tough? The negative feedback seems to dissipate any possible improvement in reputation.

Improvement is, of course, relative. While the reputation may not improve relative to the status quo, the status quo is no longer an option. Thus we care about the relative effect of intervening on reputation as compared with not intervening. A country that fails to act could suffer a massive loss in reputation. Avoiding the loss is what keeps the cost-benefit calculations positive.

The problem with this interpretation is that there is a lack of discipline in determining what one can and cannot believe. In order to determine

[6] *New York Times*, Week in Review, May 18, 1975.

[7] Jervis, "The Symbolic Nature of Nuclear Politics" (The Edmund James Lecture, Department of Political Science, University of Illinois at Urbana-Champaign, 1985).

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when a party should intervene, we must simultaneously determine when it is best not to intervene. Neither calculation can be done in isolation.

The intuition behind the formalization of equilibrium is that expectations are in fact negatively equilibrating. The more desirable a certain action is, the less one infers about those who take the action. There is less of an effect on reputation and consequently there are fewer circumstances in which the action is taken. This helps restore the implications about those who act. In equilibrium, the effect on reputation is just sufficient to motivate those who act and no others.

Note that an essential part of this story is that reputations are continuous. There is the possibility of drawing greater or lesser inferences. It is this move away from black and white beliefs that allows us to find an equilibrium in spite of the negative feedback effect. To see the problem with black and white beliefs, we return to an analysis from Jervis. Read it with an eye toward calculating what one should believe, not what one should not. Jervis writes:

> An ironic possibility should be noted. A concern for reputation can lead states to act and draw inferences in a pattern opposite from the one that we—and most other analysts—imply. This is not to dispute the common starting point; states refuse to back down not because of the immediate and direct costs of doing so, but because of the belief that a retreat will be seen as an indication of general weakness and so lead others to expect retreats in the future. But the desire to counteract such undesired consequences may lead a state that has retreated on one issue to pay especially high costs to avoid defeat on the next one. Thus the United States was not only willing but anxious to use force to free the *Mayagüez* because it wanted to show others that its evacuation of Indochina didn't mean it would not defend its other interests—the very consequence which it had predicted would follow from a defeat in Vietnam and which had justified its participation in the war. If others understand this logic and expect states to behave in this way—to follow retreats with displays of firmness—then reputations for carrying out threats do not influence estimates of credibility because—to compound the paradox—reputations are so important that states must rebuild them when they are damaged. If you have been caught bluffing in poker, others are likely to call you in the next round in the belief that you bluff a lot or are they unlikely to do so because they think you know it is no longer safe to bluff? To the extent that the latter is the case, perceptions of credibility are influenced by the state's recent behavior, but in a way which produces equilibrating negative feedback rather than the positive feedback of domino dynamics.[8]

The poker story shows the seeming paradox of self-falsifying inferences. If one believes that a player who recently bluffed will now play

[8] Jervis, "Deterrence and Perception," in Steven Miller, ed., *Strategy and Nuclear Deterrence* (Princeton: Princeton University Press, 1984), 66–67.

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safe in order to reestablish a reputation, then there is an incentive to continue bluffing. But if this is the belief, then others will continue to call and the player should play his cards straight. Neither inference can be an equilibrium. What is?

One option left out is the possibility of a randomized (or mixed-strategy) solution. The need for a mixed strategy is really a consequence of the artificial assumption that there are only two types of actors, weak and strong. To restore continuity, a reputation is based on a probabilistic belief about an actor's type—a reputation is the inferred probability that the actor is strong.

Imagine that a strong country always acts tough. The reputation effect from acting tough will depend on what a weak country is expected to do. If it was thought that a weak country would never attempt to bluff or act tough, then seeing a country act tough would indicate true strength. This would improve its reputation immensely, possibly enough even to motivate a weak country to act tough (which would not be an equilibrium). As bluffing becomes increasingly likely, the enhancement of a reputation following tough behavior is diminished. At some point, the probability of bluffing is sufficiently high (and the improvement in reputation is sufficiently small) that the cost of the weak country acting tough is exactly offset by the gain in reputation. This is the mixed-strategy equilibrium.[9]

Although the mixed-strategy approach provides a consistent solution, it may have a somewhat artificial flavor. This is solely a consequence of the highly stylized assumption that there are only two types of actors, weak and strong. The problem is both simpler and more realistic when we allow for a continuous range of incomplete information.

[9] Although we have found a consistent solution, is it of any use? Here Jervis has some doubts as to the ability of game theorists to say much more about the "black box" of mixed strategies:

> Economists have not been able to model the behavior of oligopolists nearly as deterministically as they have that of the wheat farmer facing a market he cannot influence. . . . [I]n many situations game theory prescribes a mixed or randomized solution. Of course, game theory yields great insights into how actors try to out-think and out-bluff each other, *but the competitive and variable sum nature of the situation means that scholars cannot produce deductions on the model*: "In situation X the actor always should (or will) do Y." We can show that the actors' calculations are consistent with deterrence, but this requires looking into the "black-box" of decision-making. (Jervis, "Rational Deterrence: Theory and Evidence," *World Politics* 41 [January 1989], 183–207)

In fact, it is possible to characterize the precise equilibrium proportion of mixing. Or to put it more poetically, there is a method to the madness of a random strategy; see Avinash Dixit and Barry Nalebuff, *Thinking Strategically: A Competitive Edge in Business, Politics, and Everyday Life* (New York: W. W. Norton, 1991). To verify whether or not actors follow their prescribed mixed-strategy rules does not require a large number of independent observations from a repeated game. Instead the theory is tested by evaluating how well it predicts cross-sectionally, looking across a variety of different conflict situations.

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IV. Equilibrium

There is another way to tell the *Mayagüez* story. Instead of the artificial nature of just two types, weak and strong, imagine that the propensity to intervene comes in continuous varieties. To be more concrete, we consider a stylized model of conflict initiation.

There is an event that provides the U.S. with a payoff of x if it intervenes. The variable x should be thought to include all the observable elements of the cost and benefit calculations. In addition to the observable payoffs, there is an unobservable component, c. The variable c can be thought to represent all the psychic and other intangible costs and benefits associated with intervention. For ease of exposition, x is described as a benefit and c as a cost.[10] Thus, a low value of c indicates a greater propensity to intervene, as the unobserved costs are low. Conversely, a high value of c is evidence against intervention. Intermediate values of c indicate intermediate willingness to intervene.

The role for a reputation arises because countries do not know each other's c. Each side starts with some expectation about the distribution of the other's parameter. For analytic convenience, we take the initial beliefs to be uniformly distributed between zero and one.[11] These beliefs are updated based on observed behavior. Thus a country may act strategically in order to manipulate how others perceive its intervention cost.

Without any notion of reputation, the U.S. would intervene if $x > c$ and do nothing otherwise. However, because the U.S. cares what others think about its unobserved parameter, the effect on reputation enters into its cost-benefit calculations. Once again for convenience, let the value of a reputation equal $a\,[1 - \bar{c}]$. Here $\bar{c}$ is the average value others think the c is for the U.S. and a is a parameter that measures the importance of reputation. One interpretation of the reputation effect is that the unobserved costs and benefits are correlated over time and across different circumstances. Reputation captures the future value of changing others' perception of your unobserved costs.

Initially, $\bar{c} = 1/2$. When $a > 0$, the U.S. wants others to believe that its value of c is low since this will make them less likely to act against the U.S. interest. The parameters a and $\bar{c}$ provide a shorthand, or reduced form, representation for the value of a reputation. A larger value of a corresponds to a greater significance placed on reputation. A change in $\bar{c}$ corresponds to a revised belief about the country's cost of intervention.

[10] But there is nothing that prevents x and c from being negative, in which case the observed value would represent a net cost and the unobserved parameter would represent a net benefit.

[11] Here, the assumption that intervention costs are uniformly distributed is made solely for analytic convenience. The prior belief should be based on the history up to this point.

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To model the outcome, we begin with a listing of the minimal requirements for an equilibrium. Denote the set of types who intervene by I and those who choose not to intervene by N. There is an expectation about the representative type of country that chooses to intervene; this is denoted by c_i. For a country that chooses not to intervene, the expectation of its cost is c_n.[12]

1. *Maximizing behavior.* (a) The payoff to any country that intervenes is higher than if it does not intervene; (b) the payoff to any country that does not intervene is higher than if it does intervene.

2. *Consistency of beliefs.* (a) If the sets I and N are both nonempty, then the expectation of the costs of those in each set should be based on the distribution of types in each set; (b) if one set is empty (say N) and the other contains everyone (say I), then expectations about those in I must equal the prior belief, but there is freedom to form an expectation about who might be in N should this zero-probability event arise.

Together these requirements are called a sequential equilibrium, a refinement of Nash equilibrium due to Kreps and Wilson.[13] It is important to emphasize that these two conditions are minimal requirements for an equilibrium. Maximizing behavior is an essential element of rationality. It imposes cost-benefit analysis as the basis for deciding whether or not to intervene. The consistency of beliefs condition is more subtle. The second part of this condition provides a degree of freedom that often permits a spectrum of equilibrium outcomes. Consequently, more than one equilibrium outcome may satisfy maximizing behavior and consistency of beliefs. Some are more appealing than others. To choose between equilibrium outcomes, one may look to impose a stronger test of rationality.

If, as part 2(a) supposes, we expect countries with one range of costs to intervene and those with some other range not to, then our conclusion about who did what should be based on the ranges corresponding to the observed action (or inaction). But what are we to believe about the set of noninterveners if the expectation is that everyone will intervene? In case 2(b) we are forced to have an expectation, c_n, over who might be in this null set. Sequential equilibrium is agnostic in this matter and allows the expectation to take any possible value. (For this expectation to be part of an equilibrium, the reputation effect must then motivate everyone to choose intervention as their maximizing behavior.) It is possible to form more sophisticated expectations about who might have taken an action

[12] Note that we do not require that $c_i \leq c_n$. It is possible that intervening hurts one's reputation. Such an example is presented below.

[13] David Kreps and Robert Wilson, "Sequential Equilibria," *Econometrica* 52 (July 1982), 863–95.

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that never should have happened. In Section V, we provide three increasingly restrictive assumptions about how to form rational expectations in case 2(b). The three refinements of sequential equilibrium we consider are the successive elimination of dominated strategies, universal divinity, and perfect sequential equilibrium. Each is defined and illustrated using the reference example. We begin with the possibilities for a sequential equilibrium.

There is an event that gives the U.S. a chance to improve (or worsen) its reputation. Intervention is observed to be worth an amount x. To find a consistent set of beliefs, we undertake the cost-benefit analysis assuming there is some expectation about the unobserved cost for those who intervene and those who do not. These expectations lead to a reputation c_i for a country that intervenes and a reputation c_n for a country that maintains the status quo. With these reputations in mind, the U.S. chooses its optimizing behavior. The resulting behavior is an equilibrium if and only if the optimization confirms the initial expectations about the expected intervention cost for the U.S. when it intervenes and when it does not.

Were the U.S. to intervene when its true cost was c, its payoff would be

$$x - c + a[1 - c_i].$$

The U.S. earns an observed payoff of x, pays an unobserved amount c in intervention costs, and ends up with a reputation valued at $a[1 - c_i]$.

If the U.S. does not intervene when its true cost is c, its payoff is then

$$a[1 - c_n].$$

Note that this valuation is independent of x and c since x is not earned and c is not paid; instead, the U.S. ends up with a reputation valued at $a[1 - c_n]$.

Hence, it is better to intervene provided that

$$c < x + a[c_n - c_i].$$

We call this critical cost c^*,

$$c^* = x + a[c_n - c_i].$$

As seems intuitive, when intervention costs are low $[c \leq c^*]$, the U.S. acts, whereas when intervention costs are high $[c > c^*]$, the U.S. does not act.[14]

The calculations above provide a formula that reveals the critical value

[14] How we decide the action for the c^* type is irrelevant.

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c^* for any imagined values of c_i and c_n. Consistency requires that we expect an intervener to have costs in the range $[0, c^*]$ and that we base our belief c_i on the prior distribution of costs in that interval. Similarly, nonintervenors have costs in the range $(c^*, 1]$, and so the expected value of c_n is based on the prior distribution of costs in this upper range. It is important to note that this consistency condition falls under 2(a) only when $0 < c^* < 1$. The two other possibilities are discussed in depth below.[15]

Because the prior distribution is uniform, when intervention is observed, the expected value c_i taken over the range $[0, c^*]$ must be

$$c_i = c^*/2.$$

If no intervention takes place, then the expected value for c_n is

$$c_n = [1 + c^*]/2.$$

We have two equations and two unknowns. Any solution is a sequential equilibrium. Taking the difference between the two equations shows that for any solution, $[c_n - c_i] = 1/2$.[16] We first solve for c^* and then c_i and c_n.[17]

$$c^* = x + a/2, c_i = (x + a/2)/2, c_n = (1 + x + a/2)/2.$$

To provide a numerical illustration, let $a = 1/2$, and consider an event with $x = 1/4$. Then $c^* = 1/2$, $c_i = 1/4$, and $c_n = 3/4$. There is a sequential equilibrium in which all the types with intervention cost below $1/2$ act whereas those with costs above $1/2$ do nothing. Moreover, ruling out for the moment solutions with zero-probability events, this equilibrium is unique.

As the parameter values change, the predicted outcome varies in a natural way. A rise in the value of reputation, a, results in greater participation. A higher reward, x, from intervening also encourages greater intervention in equilibrium.

This simple model illustrates the cost of maintaining a reputation. The only way to prove something about yourself is to take an action that would be too costly if you are not who you are trying to convince others

[15] If $c^* = 0$ then no one should intervene, whereas if $c^* = 1$, then everyone should intervene. Both endpoint cases predict that one action is never taken and hence falls under the weaker consistency condition 2(b).

[16] This simple relationship is an artifact of the uniform distribution of intervention costs.

[17] This type of well-behaved sequential equilibrium exists provided $0 < c^* = x + a/2 < 1$. Otherwise, the effect of reputation may be so large or the value of intervening so great that we expect everyone to act, $c^* \geq 1$. Alternatively, the value of reputation may be so small (or negative) or the price of intervention so costly that all types choose not to intervene and $c^* \leq 0$.

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you are. But unlike the circular reasoning of Jervis, this can be done in a matter of degree. The unobserved cost of intervention separates the weak from the very strong—not perfectly but some part of the way. Seeing a country intervene does not reveal its exact cost, c; it just sends a signal that the intervention costs are below rather than above c^* and thus average c_i rather than c_n.

An implication of the model is that we see too much intervention. Here too much intervention means that intervention takes place for its effect on reputation and would otherwise not be desirable. An intervener's gain in reputation is a nonintervener's loss. Put together the two effects exactly cancel out, and we have a zero-sum transfer. This excess intervention would not occur if the country's unobserved parameter were known. A country would intervene only if $x > c$. There would be no reputation effect since if c were known, its perception could not be changed.

When costs can only be inferred rather than observed directly, then the type with $c = x$ strictly prefers to intervene (and by continuity so will types with $c > x$). The reason is that intervention has little or no direct cost and results in a positive gain in reputation for being perceived as a c_i rather than a c_n.

The reputation effect is a two-edged sword. As Jervis emphasizes, a country that does not act cannot presume its status quo reputation remains unchanged. That effect is captured in the cost-benefit analysis. A country that fails to intervene sees the value of its reputation fall, not necessarily from the status quo but from the value to which it would have risen had it intervened. In our example, the status quo value of a reputation is 1/2. But once the opportunity to intervene arises, those who act are viewed as having an expected cost $c_i = 1/4$ while those who do not intervene are represented by an average cost $c_n = 3/4$—there is no option to remain at $\bar{c} = 1/2$.

Self-fulfilling Equilibria

So far the calculations have been straightforward. Now we turn to the more subtle possibility of an equilibrium based on self-fulfilling expectations. In these cases everyone is expected to choose the same action, either intervention or nonintervention. No one dares to be different because the loss of reputation associated with taking the "wrong" action dominates the direct gain or loss.

The possibility of multiple equilibrium based on different expectation foundations is described in Jervis: "There is a great deal of room for false

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consensus effects—i.e., if each person thinks everyone else holds a certain view, then that view becomes the operating reality. . . . The truth of the statement depends on whether people believe it."[18]

This is the problem we now confront: to what extent can expectations lead to an equilibrium? What are the limits to which beliefs are self-fulfilling? It is here that the power of equilibrium reasoning has its greatest effect. We are able to show exactly what type of beliefs are internally consistent. The scope for expectations to drive the model is remarkably limited.

The nature of these self-fulfilling equilibria relies on what might be called a "lemmings" effect: it must be that *everyone* is expected to do the same thing in equilibrium.[19] There are two candidate equilibria. In one, everyone intervenes because the loss of reputation from not doing so overwhelms other considerations. The more types that act, the more costly it becomes not to act. The expectations feed upon themselves until even the weakest type is forced to intervene in order not to be exposed. This is just the limiting case of our previous example.

The other possibility is that no one intervenes; the reason is that an intervener is thought to be weak—not strong—so the reputation loss from intervening outweighs any direct gain. This reversal of a reputation effect is quite different from what we have previously discussed. To formalize these possibilities it is appropriate to return to the lurking issue of what to believe when we see something that we thought was not possible.

One interpretation upon observing a zero-probability event is that the model is wrong. Since we have seen something that obviously should never have happened, we must have misunderstood the original situation. This negative perspective misses the point of cost-benefit analysis. It is simply impossible to predict that something should not happen without analyzing the payoffs if it did. The choice of action is based on a calculation of net gain. How can we choose an optimal decision knowing only one side of the equation?

Rather than discuss this issue in the abstract, the model provides a revealing backdrop. Imagine that $c^* = x + a/2 \geq 1$. In this case we predict reputation is so important that everyone should be willing to intervene. But how is this justified? It is clear what we should assume if we see an intervention; since we expected everyone to behave this way,

[18] Jervis (fn. 7).

[19] Otherwise, there are no zero-probability events. The earlier analysis applies and there is a unique solution.

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it should have no effect on our prior beliefs. Yet this calculation was conditioned on the cost-benefit calculation, which by necessity must place a value on not intervening.

We must specify how others will interpret a failure to intervene. Since nonintervention is a zero-probability event, we cannot apply the standard technique to calculate posterior beliefs. The standard technique used to calculate posterior beliefs about who did what is Bayes' rule. The formula for the posterior probability that someone has cost c conditional upon observing nonintervention is

$$\text{Prob}[\text{cost} = c \mid \text{nonintervention}] = \text{Prob}[\text{cost} = c \ \& \ \text{nonintervention}] / \text{Prob}[\text{nonintervention}].$$

The problem is that nonintervention is supposed to be a zero-probability event so that both the numerator and the denominator are zero. Bayes' rule makes no prediction in this case. The question of what is reasonable to believe in this surprise event is an unresolved research question in game theory. The present model helps illustrate some of the possibilities. Here it is important to emphasize that there is more than one way to form rational beliefs and that reasonable people differ over which to choose.

One solution to this paradoxical situation is provided in the definition 2(b) of sequential equilibrium. Choose any beliefs over the range [0, 1] for the types who do not intervene. The only constraint is that these beliefs must then be consistent with the initial assumption that no one would in fact want to intervene. The way to check if this is possible is to assign "pessimistic" beliefs in the event of this zero-probability outcome. For example, if the country fails to intervene, we believe that its unobserved costs are 1, the worst possibility. Given this belief, when is the model internally consistent? The payoff to intervention is $x - c + a/2$, while the payoff to nonintervention is $a(1 - c_n) = 0$. All types prefer to intervene when

$$x - c + a/2 \geq 0, \ 0 \leq c \leq 1.$$

This is true if and only if $x + a/2 \geq 1$.

Thus our intuitive belief that all types will intervene when $x + a/2 \geq 1$ is confirmed. When the observed payoff for intervention is large (compared with the unobserved costs) and reputation is highly valued, then it is natural to suppose that there is an equilibrium in which all countries intervene. Except for the issue of forming expectations in a zero-probability event, there is nothing different or unusual about this self-fulfilling equilibrium. The outcome is simply the limiting case of our previous example for $c^* \geq 1$.

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The power of sequential equilibrium is that it restricts the extent to which expectations can drive the outcome. Believing in something cannot always make it happen. In our numerical example, there is *no* sequential equilibrium that involves intervention by all parties. The reason is that with $x = 1/4$ and $a = 1/2, x + a/2 < 1$; a country with intervention cost c close to 1 would prefer to have it presumed that $c = 1$ than to lose nearly 3/4 in order to improve its reputation to $c_i = 1/2$.

The Reversed Equilibrium

We now turn to the paradoxical case. It is often possible to find a second set of beliefs consistent with the requirements of a sequential equilibrium. For certain parameter values there exists a sequential equilibrium in which no intervention occurs. This solution is fundamentally different in character from our previous examples. The out-of-equilibrium beliefs are reversed. We assume that a country that intervenes is *weak*, not strong. Restraint is the sign of strength. The interpretation is that a country that intervenes is so much trying to prove itself that it reveals its true weakness; countries with low unobserved costs are sufficiently confident of their capabilities that they are willing to forgo this intervention. Of course, this interpretation is particularly convenient for a weak country, which by doing nothing can pretend that it is so strong that it does not have to intervene.

Is it possible that these beliefs are consistent? To support an equilibrium where intervention is supposed to be a zero-probability event, we assign posterior beliefs that an intervener has $c_i = 1$. The unobserved costs assigned to an intervener are as large as possible. The payoff to a country if it intervenes is then

$$x - c + a(1 - c_i) = x - c.$$

Expectations following the case of nonintervention are more straightforward. The presumption is that no one should intervene. Hence, observing that a country does not intervene should have no effect on its estimated intervention cost. A country that does not intervene has its reputation preserved at the prior level, $c_n = 1/2$. The payoff for this strategy is then $a[1 - c_n] = a/2$. Not intervening is the best strategy for a country with unobserved cost c when

$$a/2 \geq x - c.$$

Since the presumption is that no one intervenes, this inequality must be true even for the country with the greatest propensity to intervene, the type with $c = 0$. This implies

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$$x - a/2 \leq 0.$$

Again, consider our numerical example with $a = 1/2$ and $x = 1/4$. In this case, there is a sequential equilibrium in which no type intervenes. The reason is that the loss of reputation costs 1/4, which is just enough to offset the value of intervening for all types.[20]

The advantage of the formal modeling is to put a consistency constraint on what might be thought of as an equilibrium. The examples illustrate that sequential equilibrium does not go very far in that direction. The solution concept seems to allow opposite extremes just by changing the interpretation of a zero-probability event.

V. Refinements

Sequential equilibrium is just the first step on the road to forming beliefs out of equilibrium. It is a minimal set of requirements. Consequently, there may be a multiplicity of equilibria. In this section, we introduce three refinements of sequential equilibrium. These refinements involve more sophisticated reasoning about interpretation of actions, especially those off the equilibrium.

The first refinement is based on the iterated elimination of dominated strategies; this is closely connected with the idea of rationalizability.[21] Alternative restrictions on beliefs are provided by universal divinity[22] and perfect sequential equilibrium.[23] These three alternatives to sequential equilibrium are discussed in turn.

One can judge the merits of these approaches in either of two ways: by their axioms or by their results. A comparison of the axioms shows three plausible restrictions on what might constitute a reasonable belief. As we move from elimination of dominated strategies to universal divinity to perfect sequential equilibrium, the restrictions employ increasing levels of sophisticated logic. A comparison of the results reflects this ranking. Each increased level of sophisticated reasoning further reduces the scope for self-fulfilling expectations to support a no-intervention equilibrium. Therefore, if one intuitively feels that this equilibrium is

[20] Note that if $a = 1/2$ and $x > 1/4$, then the model predicts that a country with $c = 0$ would strictly prefer to intervene. Hence the reversed equilibrium is ruled out.

[21] David Pearce, "Rationalizable Strategic Behavior and the Problem of Perfection," *Econometrica* 52 (July 1984), 1029–50; B. Douglas Bernheim, "Rationalizable Strategic Behavior," *Econometrica* 52 (July 1984), 1007–28.

[22] Jeffrey Banks and Joel Sobel, "Equilibrium Selection in Signaling Games," *Econometrica* 55 (May 1987), 647–62.

[23] Sanford Grossman and Motty N. Perry, "Perfect Sequential Equilibria," *Journal of Economic Theory* 39 (June 1986), 97–119.

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unreasonable, then the refinements provide a more general framework for characterizing just what makes it unreasonable. But one may well take the other view. There are circumstances where the no-intervention equilibrium seems reasonable (such as when there are no objective benefits from intervention) and yet it is ruled out. From this second perspective, the results present a specific example that questions the merit of the axioms. This paper does not attempt to take sides. The different approaches are presented in a way that leaves it to the readers to form their own opinions.

Elimination of Dominated Strategies

A strategy is dominated if there is some other strategy that leads to a higher payoff no matter how the action is interpreted.[24] The elimination of dominated strategies makes the presumption that a player will not follow a dominated strategy. In the present context this says that it is unreasonable to believe that a country should ever intervene if that action lowers its payoff (relative to not intervening) given *any* possible expectation about the unobserved cost parameter following intervention. And conversely, it is unreasonable to believe that a country should ever fail to intervene if nonintervention yields a lower payoff given *any* possible expectation about the unobserved cost parameter following nonintervention. In both cases, we eliminate dominated strategies from consideration.

To form beliefs about who will do what, we restrict attention to countries with a range of unobserved costs for which the proposed action is not dominated (if such a cost exists). The procedure is then iterated as illustrated below. With each cycle our beliefs are increasingly restricted as to who may take any action. Sometimes the beliefs will converge on a unique solution, thus selecting one of the sequential equilibria. More generally, we are able to show that some of the earlier reversed sequential equilibria are no longer sustainable with this restricted set of beliefs.

What are the possible beliefs? For the action that everyone takes, the posterior belief must equal the prior belief ($c = 1/2$). The worst belief about a country that fails to follow the proposed equilibrium behavior is that its $c = 1$. Hence, the changed perception of c following intervention is at most $1/2$ and the best possible net payoff to intervening is then

$$x - c + a/2.$$

If this is negative, intervention is dominated by not intervening. In our numerical example, $x = 1/4$ and $a = 1/2$. Thus intervention is domi-

[24] Note that this domination is over other strategies, not over an opponent.

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nated for all countries with $c > 1/2$. No matter what others think about the reputation of noninterveners, it is not worthwhile to intervene whenever $c > 1/2$.

This simple idea allows us to eliminate the (reversed) sequential equilibrium that results in no-intervention. The reason is that we may no longer suppose that an intervener has cost 1. A country with cost 1 finds intervention to be a dominated strategy. The worst reputation we can assign to an intervener is to believe that its cost is 1/2—this is the highest cost for which intervention is not strictly dominated.

To see whether an equilibrium in which no one intervenes is still possible, we must also consider the other side of the cost-benefit ledger. What is the most favorable reputation that can be given to a nonintervener? Because intervention is a dominated strategy, all countries with costs from (1/2, 1] must be counted as noninterveners. Therefore, the best reputation we can give to a nonintervener is to add all the types [0, 1/2) to the list of noninterveners. This gives an expectation of 1/2 for those who do not intervene. These beliefs are illustrated in Figure 1.

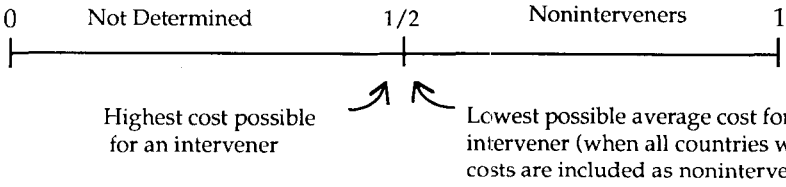

FIGURE 1

To illustrate the iterated elimination of dominated strategies, we now redo the cost-benefit calculations. The worst we can believe about an intervener is that its cost is 1/2; the best we can believe about a nonintervener is also 1/2. Thus when reputations are chosen to be maximally biased against intervention, we find that interveners and noninterveners are given identical reputations. The chosen action does not affect reputation. Hence all countries with $c < x$, or costs in the range [0, 1/4) in our numerical example, will find intervention a dominant strategy.

This iterated elimination of dominated strategies limits our ability to use self-fulfilling expectations to punish those who intervene and reward those who do not. We must now expect that all those with costs below 1/4 will intervene while those with costs above 1/2 will not. As illustrated in Figure 2, our only freedom is to choose beliefs about those in the interval [1/4, 1/2].

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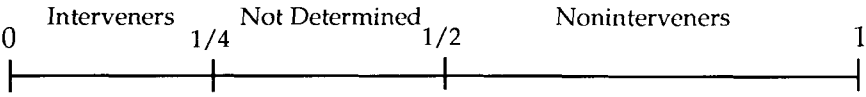

FIGURE 2

The worst reputation for an intervener arises when we presume that all countries with unobserved costs from [0, 1/2] will intervene. The best reputation from the nonintervener's perspective follows from the belief that all types from [1/4, 1] will not intervene. (Note that these beliefs are not internally consistent.) Reapplying the cost-benefit calculations shows that the reputation effect is now worth 3/8 so that countries with $c < 7/16$ intervene whereas those with $c > 1/2$ still find intervention a dominated strategy. The range of ambiguity is reduced even further, down to the countries with costs in the interval [7/16, 1/2].

How we continue from here gets more complicated. But the limit should also be apparent. There is only one equilibrium that is left after we iteratively eliminate dominated strategies. The equilibrium is the one in which countries with costs less than 1/2 intervene and those with costs above 1/2 do not. This is the predicted outcome from the original separating equilibrium as $c^* = x + a/2 = 1/2$.

The fact that elimination of dominated strategies leads to a unique equilibrium makes that outcome particularly appealing. But even if the process did not converge to a unique solution, the usefulness had already been demonstrated: for the case with $x = 1/4$ and $a = 1/2$, the reversed equilibrium in which no one intervenes is not consistent with the iterated elimination of dominated strategies. Although a weak country may claim that its restraint is a sign of strength, this is not a reasonable interpretation given the parameters above. Here, a reasonable interpretation means that we exclude the possibility that a country follows a dominated strategy. This restriction on what is reasonable to believe is an effective tool for limiting the scope of self-fulfilling expectations.

UNIVERSAL DIVINITY

A stronger restriction on beliefs is called universal divinity.[25] Universal divinity focuses on the consistency condition 2(b). Under a sequential equilibrium one is free to assign an arbitrary reputation to a country that takes an action that should never occur. But is it reasonable to believe that a country with high unobserved intervention costs would make an

[25] Banks and Sobel (fn. 22).

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unexpected intervention while one with low unobserved intervention costs would not? Universal divinity classifies this as an unreasonable belief. We should not assume that a country that loses a lot by taking the unexpected action has deviated while those who would lose less do not. Instead, the argument is made that the expectation of who might have taken the out-of-equilibrium action should include all countries with negative payoffs whose losses are less than some cutoff amount. This idea has power to break a (reversed) sequential equilibrium in which no one is supposed to intervene; it has no power to break a sequential equilibrium in which everyone is supposed to intervene. We look at these two self-fulfilling equilibria in turn.

In an equilibrium where no country should intervene, the cost-benefit calculations must indicate a negative payoff to any country that intervenes.[26] Yet upon seeing an intervention, which country with a negative payoff is supposed to have taken this unprofitable action? Universal divinity argues that it is unreasonable to assume that those who stand to gain the least from intervention will do so without also believing that everyone else will deviate. Specifically, it is unreasonable to suppose that the intervener is a country with payoff -0.8 but not a country with payoff -0.4. One must choose some lower endpoint and take the average over countries with net payoff no worse than that amount. In our model this is equivalent to believing that the intervener has unobserved costs less than some critical c. The worst reputation for an intervener is to suppose that the critical c is as high as possible; everyone intervenes from cost $c = 1$ on downward. In this case, $c_i = 1/2$. This is also the reputation given to a nonintervener, $c_n = 1/2$. Since no one is supposed to intervene, a nonintervener's reputation must remain unchanged from its prior level of 1/2. Thus intervention does not improve reputation in this best-case scenario for nonintervention.

For the example with $x = 1/4$ and $a = 1/2$ and beliefs that accord with universal divinity, we cannot support an equilibrium where no country intervenes. A country with zero (or even close to zero) intervention costs is willing to intervene provided this does not hurt its reputation too much. Since we are not allowed to suppose that interveners have higher costs than noninterveners, there is at worst no loss in reputation. Hence, the cost-benefit calculation become strictly positive in favor of intervention for low-cost countries ($c < 1/4$). Just as in the case of iterated elimination of dominated strategies, we have broken the sequential equilibrium in which nonintervention is viewed as a sign of strength.

[26] Otherwise, intervention must be expected.

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Universal divinity has no power to disrupt the sequential equilibrium in which everyone is presumed to intervene. In this case, the cost-benefit calculations must come out negative against those who might fail to intervene. The country for which this comparison is the least negative is the one with the highest intervention cost ($c = 1$). Hence, universal divinity allows us to count as reasonable the belief that a nonintervener has $c = 1$. There is no one else who finds nonintervention relatively more favorable and who thus must be added to the list. This implies a loss of reputation from 1/2 down to 1 for a country that fails to intervene. If reputation were important enough (a is large) then all countries would choose to intervene. For the cases with $c^* = x + a/2 \geq 1$, there remains a self-fulfilling equilibrium in which everyone intervenes.

Perfect Sequential Equilibrium

A third approach is called perfect sequential equilibrium[27] or credible neologisms.[28] The idea is to look for an internally consistent set of beliefs about who might have deviated. Is there a range of costs such that if we believe that countries with those costs deviate then it is in their interest to do so and it is not in the interest of any of the other countries to deviate? If such an internally consistent belief exists, then the original equilibrium fails this third refinement test.

An example illustrates the technique. Consider a situation in which x is negative. Since it is common knowledge that there is no objective benefit from intervention, the preferable outcome is that no one intervenes. For the case with $x = -1$ and $a = 3$, there is such an equilibrium. The no-intervention equilibrium is supported by $c_n = 1/2$ and $c_i = 1/2$. Since there is no gain in reputation and intervention has an observed negative payoff, there is no reason for any country to intervene.

This solution satisfies elimination of dominated strategies. The best possible payoff for intervention is $x - c + a/2 = 1/2 - c$. Thus all countries with $c > 1/2$ find intervention a dominated strategy. This implies that the lowest value of c_n is 1/2 and the highest value of c_i is also 1/2 (see Figure 1). But these are exactly the reputations used to support the prediction that no one should intervene. Unlike the earlier example, the group of countries for which $x > c$ is the null set and so there is no country that must now be classified as an intervener. There is no scope for iteration and the no-intervention equilibrium remains.

[27] Grossman and Perry (fn. 23).

[28] Joseph Farrell, "Credible Neologisms in Games of Communication" (Mimeo, University of California, Berkeley, 1984).

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This solution also satisfies universal divinity. The requirement concerning beliefs about the zero-probability event is that we include all countries whose payoffs for that action are no worse than some amount. When intervention is the zero-probability event, then the lowest reputation arises when everyone is included (since the countries with low unobserved intervention costs must be included whenever high-cost countries are included). This leads to $c_n = c_i = 1/2$, which are the numbers used to support the no-intervention solution.

The point of this exercise is to show that the no-intervention outcome does not satisfy perfect sequential equilibrium (PSE). Whether this leads one to think the no-intervention outcome is less reasonable or PSE is less reasonable is left for the reader to decide. Under PSE, a country that observes the zero-probability event of an intervention must try to justify its occurrence. It is possible to do so using the following beliefs. One imagines that countries with unobserved costs from 0 to 1/2 will intervene ($c_i = 1/4$) and those with costs from 1/2 to 1 will not ($c_n = 3/4$). With these beliefs, the reputation gain from intervention equals 1/2, which is valued at 3/2. Comparing the unobserved cost of intervention with the observed payoff, we find that the beliefs are confirmed:

$$c^* = x + a/2 = -1 + 3/2 = 1/2.$$

Countries with $c < 1/2$ prefer to intervene and those with $c > 1/2$ prefer not to.

To put this example back into the definition of PSE, we have found a range of costs $[0, 1/2)$ such that if we believe that countries with those costs deviate (by intervening) then it is in their interest to do so and it is not in the interest of any of the other countries to deviate. Since such an internally consistent belief exists, the original no-intervention equilibrium fails the PSE test.[29]

Upon reflection, one might choose to argue that this separating equilibrium is the more sensible outcome. It is the outcome predicted by the base-case model for sequential equilibrium. Even though the average country ends up worse off, the countries with low unobserved costs benefit at the expense of those with high costs. The reputation of interveners is better by 1/2, and with the large weight placed on reputation this justifies paying the observable intervention costs, x.[30]

[29] Perfect sequential equilibrium is not a panacea. It is much harder to show that something satisfies PSE than to show that it does not. In fact, one of its failings is that it is possible that no equilibrium will satisfy this test. In our example this problem does not arise as the separating equilibrium satisfies PSE.

[30] As this intuition suggests, it is not the case that PSE eliminates all no-intervention equilibrium. If x is negative and a is small, the no-intervention equilibrium satisfies PSE.

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This separating outcome may seem even more appealing if we examine the intuition for why the no-intervention equilibrium fails PSE. The problem with expecting no one to intervene is that if we do observe the unexpected, this "mistake" can be justifed if we presume that the intervener was a low-cost country ($c < 1/2$). But if we are willing to give this reputational advantage to a country that breaks the equilibrium by intervening, for the sake of consistency we should penalize those who fail to intervene ($c > 1/2$). The advantage of these expectations is that they offer a consistent explanation for the observed behavior.

VI. Conclusions

The potential for a reputation paradox arises in a world with imperfect information. Because unobserved motivations matter in predicting behavior, there is a need to make presumptions about the unobserved costs and benefits of any action. This is particularly difficult when it is an action that cost-benefit calculations predict should never occur. The endogenous relationship between the presumptions and the predictions complicates the inference problem. The predictions are based on the presumptions, but the presumptions must be consistent with the predictions. When the predictions suggest that something should not occur, how are the presumptions to be made consistent?

Game theory offers (at least) four possible answers. We use the setting of a rational deterrence model to explain and motivate these recent refinements in equilibrium theory. The refinements illustrate what is paradoxical about an equilibrium in which no country intervenes because intervention is associated with weakness rather than strength. The most sophisticated refinement can explain away the no-intervention outcome even when it seems the more natural case, such as when the intervention payoffs are all negative. The advantage of our stylized model is that it is possible to follow the connection from assumption to conclusion. Here one may choose among refinements by seeing the results. As with Christmas pudding, the proof is in the eating.

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GLOBAL COMMUNICATIONS AND NATIONAL POWER
Life on the Pareto Frontier

By STEPHEN D. KRASNER*

Introduction

THERE is no single international regime for global communications. Radio and television broadcasting, electromagnetic spectrum allocation, telecommunications (telephone, telegraph, communications satellites, transborder data flows), and remote sensing are governed by a variety of principles, norms, rules, and decision-making procedures—or, in some cases, by no regime at all. Variation in outcomes can be explained by the interests and relative power capabilities of the actors in each case.

Global communications have been characterized not by Nash equilibria that are Pareto suboptimal but rather by disagreements over which point along the Pareto frontier should be chosen, that is, by distributional conflicts rather than by market failure. Changes in the relative power of states have led to changes in international regimes. The apparatus of economics, which has been so heavily deployed in regime analysis, has focused on information and monitoring rather than power, implying, if not explicitly arguing, that intelligence (figuring out the right institutional structure) is more important than the underlying distribution of capabilities. Regime analyses based upon market failure inevitably obscure issues of power because, given a Pareto suboptimal situation and a concern with absolute not just relative gains, it is possible to make at least one actor better off without making others worse off—an outcome that can be resolved through cleverness rather than by resort to power, threat, and coercion.

Information flows and knowledge have been less important than relative power capabilities for international communications regimes or the lack thereof. Where there have been disagreements about basic principles

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and norms and where the distribution of power has been highly asymmetrical, international regimes have not developed. Stronger states have simply done what they pleased. Radio broadcasting and remote sensing offer the clearest examples.

Where there are coordination problems and the distribution of power has been more symmetrical, however, regimes have been established. The level of conflict has varied according to whether states were dealing with pure coordination problems or with coordination problems that had distributional consequences. The resolution of the former has caused little conflict because the purpose of the regime has been to avoid mutually undesirable outcomes. The allocation of the radio spectrum before the 1970s and the telecommunications regime before the 1980s offer two examples.

By contrast, in cases that have had distributional consequences, conflict has been more intense: though the states agreed on mutually undesirable outcomes, they disagreed on their preferred outcome. Controversies were triggered by changes in power, usually resulting from the development of new technologies. In recent years distributional questions have precipitated conflict over the allocation of the radio spectrum and over international telecommunications. The outcome of these disputes has been determined primarily by the relative bargaining power of the states involved. Whereas previous institutional choices had not imposed much constraint, new interests and power capabilities conferred by new technologies have led to new institutional arrangements.

This is not to say that institutional arrangements were ever irrelevant: indeed, they were necessary to resolve coordination problems and to establish stability. Without regimes all parties would have been worse off. There are, however, many points along the Pareto frontier: the nature of institutional arrangements is better explained by the distribution of national power capabilities than by efforts to solve problems of market failure.

Explaining International Regimes

The consequences of different configurations of interests for the creation and maintenance of international regimes has been elaborated in a number of studies over the last decade. There are four possible configurations of interests, two of which can give rise to international regimes. Regimes are irrelevant for situations characterized by either harmony or pure (zero-sum) conflict. Rather, regimes can arise under what Arthur Stein

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has called dilemmas of common aversions or dilemmas of common interests.[1]

Under zero-sum conditions there is no basis for regimes and no reason to coordinate policies, because one actor's loss is another's gain.[2] In a situation of harmony, too, there is no reason to create a regime, because each individual player, acting without regard for the behavior of others, maximizes both its own utility and that of the system as a whole. Purely self-regarding behavior produces both a Nash and Pareto optimal equilibrium.[3]

By contrast, dilemmas of common aversions and dilemmas of common interests are distributions of preferences that do create incentives to establish and maintain international regimes. Both involve strategic interaction. Dilemmas of common aversions refer to situations in which actors must coordinate their policies by agreeing on some set of rules or conventions, to avoid mutually undesirable outcomes. The specific content of these rules will matter only if the actors disagree about which is the most desirable outcome. If there is no disagreement, then the outcome is a Nash equilibrium and is Pareto optimal: there is no incentive for any actor to defect and no opportunity to increase any actor's utility without damaging that of another. Cheating is therefore not a problem. There is no need to develop elaborate mechanisms for generating and monitoring information, because there is no sucker's payoff to worry about. One set of rules is as good as any other, provided that all states agree to do the same thing. For instance, starting from a situation in which no prior investments have been made, it does not matter whether cars drive on the left or right side of the road provided that all drivers adopt the same rule. It may not matter to a couple whether they go to the mountains or the ocean for a vacation, provided that they go to the same place. Such a configuration of interests is shown in Figure 1.

With a minimal level of coordination (actors need only avoid switching back and forth at the same time when one starts from the right and

[1] Stein, "Coordination and Collaboration: Regimes in an Anarchic World," in S. D. Krasner, ed., *International Regimes* (Ithaca, N.Y.: Cornell University Press, 1983). Duncan Snidal refers to this same distinction as "Coordination versus Prisoners' Dilemma: Implications for International Cooperation and Regimes," *American Political Science Review* 79 (December 1985), 923–42.

[2] The essence of conventional realist thinking as exemplified in the work of Kenneth Waltz is that the quest for power, which is inherently a relative concept, inevitably places states in a zero-sum situation. See Waltz, *Theory of International Relations* (Reading, Mass.: Addison-Wesley, 1979), as well as Joseph Grieco, "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism," *International Organization* 42 (Summer 1988), 485–507.

[3] Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984), 51.

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	Mountains Left	Ocean Right
Mountains Left	1, 1	0, 0
Ocean Right	0, 0	1, 1

FIGURE 1
SIMPLE COORDINATION PROBLEM

the other from the left), all actors will end up driving on either the left or the right, or both members of a couple will go to either the mountains or the ocean.[4]

Dilemmas of common aversions, however, can involve questions of distribution in addition to those of coordination. Although actors may recognize that all would be worse off without some agreement, they may disagree about precisely what the terms of that agreement ought to be. There are many points along the Pareto frontier.

Such a distribution of interests is shown in Figure 2. This game is commonly referred to as the Battle of the Sexes. The story line here is as follows: Both members of a couple prefer to do something together, but they disagree on their preferred outcome, vacationing in the mountains or at the ocean. With such a distribution of interests, the choice of mountains or ocean, or left or right, matters, for vacationing in the mountains gives the column player a higher payoff than going to the ocean and vice versa. Both parties are averse to an absence of coordination in which they

	Mountains Left	Ocean Right
Mountains Left	2, 3	0, 0
Ocean Right	0, 0	3, 2

FIGURE 2
BATTLE OF THE SEXES

[4] I am indebted to Joanne Gowa and Susan Woodward for suggesting what I hope is a gender neutral example. As Snidal (fn. 1), 931, notes: "Sometimes coordination is presented simply as the problem of two or more actors matching policies where they are indifferent about where they match. . . . Here there is no disjuncture between individual and collective rationality and no problem of collective action. It requires not more than communication and common sense to achieve an outcome that is both individually and collectively optimal."

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take different vacations, but the payoff matrix itself provides no information about which of the two equilibrium points will be chosen. The problem is not how to get to the Pareto frontier but which point along the frontier will be chosen.

In the international relations literature that has evolved since Schelling, commitment has been the analytic device that has most commonly been used to understand which outcome will be chosen, and commitment has usually referred to cleverness (such as throwing a steering wheel out the window in a game of Chicken).[5] The resolution of distributional conflicts could, however, be resolved through a very different route: the exercise of state power, which could be manifest in at least three ways.

1. Power may be used to determine who can play the game in the first place. In international relations less powerful actors are often never invited to the table.[6]

2. Power may also be used to dictate rules of the game, for instance, who gets to move first. In Figure 2 the player who moves first can dictate the outcome, provided that the other player is convinced that the first player's strategy is irrevocable.

3. Power may be used to change the payoff matrix.[7] For instance, a more powerful row player might use tactical linkage to change, or credibly threaten to change, the payoff matrix in Figure 2 to the one presented in Figure 3.[8] A large importer (read the United States) might threaten to bar imports from an exporter (read Japan) if the latter failed to make basic changes in the structure of its domestic economy, such as the distribution system.

One of the two forms of coordination (right right) is now unambiguously superior for both players, even though both forms of coordination are Nash equilibria. The players can secure the right right outcome with a

[5] Similar kinds of reasoning about commitment have been used in the recent literature on strategic trade theory. One element of this analysis is that state intervention to promote a particular industry is desirable because it demonstrates a level of national commitment that could not be provided by the action of private firms. See, for instance, James A. Brander, "Rationales for Strategic Trade and Industrial Policy," in Paul R. Krugman, ed., *Strategic Trade Policy and the New International Economics* (Cambridge: MIT Press, 1986), 30.

[6] Snidal (fn. 1), 938, points out that the threat of exclusion can itself be an effective bargaining tool. By threatening to exclude, a more powerful state might secure the compliance of a weaker state.

[7] Underlying power capabilities or size may determine the payoff matrix in the first place. See John A. C. Conybeare, *Trade Wars: The Theory and Practice of International Commercial Rivalry* (New York: Columbia University Press, 1987), 2.

[8] Albert Hirschman has argued that the credibility of such a threat would be determined by the relative opportunity costs of change; see Hirschman, *National Power and the Structure of Foreign Trade*, rev. ed. (Berkeley: University of California Press, 1980). Tactical linkage is discussed in Ernst B. Haas, "Why Collaborate? Issue-Linkage and International Regimes," *World Politics* 32 (April 1980), 357–405.

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	Mountains Left	Ocean Right
Mountains Left	1 2	0 0
Ocean Right	0 0	2 3

FIGURE 3
BATTLE OF THE SEXES WITH
TACTICAL LINKAGE

minimum level of coordination, for instance, by playing the game in an extended form in which either player has the option of going first. Once this outcome is reached, it is both Nash and Pareto optimal; there is no incentive for either actor to change.

In contrast to situations involving distributional choices along the Pareto frontier, such as the Battle of the Sexes payoff structure, problems of collaboration, which are generated by dilemmas of common interests, are concerned with market failure.[9] They are characterized by Pareto suboptimal outcomes; at least one actor can gain without compromising the utility of others. The locus classicus of this set of problems is Prisoner's Dilemma.

A great deal of the cooperation and regime literature in international relations has been devoted to analyzing how actors can escape from a situation in which there are incentives to cheat but in which mutual cooperation is better than mutual defection.[10] The fundamental question has been: How can players move toward the Pareto optimal outcome of mutual cooperation?[11]

Several answers have emerged. Cooperation is more likely when there is iteration and no defined number of plays, and when discount rates are

[9] The terms *coordination* and *collaboration* are taken from Stein (fn. 1).

[10] Robert Axelrod and Robert O. Keohane point to Pareto suboptimality in general as the defining problem for the cooperation literature, arguing that "what is important for our purposes is not to focus exclusively on Prisoner's Dilemma *per se*, but to emphasize the fundamental problem that it (along with Stag Hunt and Chicken) illustrates. In these games, myopic pursuit of self-interest can be disastrous. Yet both sides can potentially benefit from cooperation—if they can only achieve it"; Axelrod and Keohane, "Achieving Cooperation under Anarchy: Strategies and Institutions," *World Politics* 38 (October 1985), 226–54, at 231.

[11] Charles Lipson, for instance, argues that "because the Prisoner's Dilemma highlights both the potential gains from cooperation and the temptations that prevent it, it has been taken as an elegant expression of the most profound *political* dilemmas, including that of the social contract. Indeed, Jon Elster once defined politics as 'the study of ways of transcending the Prisoner's Dilemma' "; Lipson, "International Cooperation in Economic and Security Affairs," *World Politics* 37 (October 1984), 1–23, at 3.

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low and the difference between the payoffs for cooperation and defection are modest.[12] Most important for the international relations research program growing out of the literature on market failure is the investigation of the way in which cooperation can be facilitated by institutions that reduce the temptation to lie, cheat, and dissimulate by increasing the symmetry and amount of information, raising the cost of illegitimate behavior, promoting convergent expectations, and fostering cross-issue-area linkages.[13] The central normative concern of cooperation theory is to develop institutional mechanisms that inhibit cheating.[14]

Market failure analyses, which have dominated the literature on international regimes, pay little attention to power. Once the game is defined, all actors are treated symmetrically with regard to their capabilities. Both the row and the column player have the same competence to play the game. No one is eliminated through brute force as opposed to choosing a bad strategy. In this game, clubs are never trump.[15] Everyone could be better off if only market failure problems were solved. Power—which can be understood as the ability to determine who plays the game, or to define the rules, or to change the values within the payoff matrix—does not matter as much as information and monitoring capabilities. When analysts working within the cooperation research program have discussed the larger question of the context within which the game is specified, they have pointed to the ways in which issue linkage or limiting the number of players might facilitate cooperation rather than the distributional consequences of power.[16]

Global Communications

For international communications, however, market failure problems have been irrelevant. Monitoring and information were never a central consideration. Power, not just interest, did matter, though. And the

[12] For an exceptionally intelligent and nuanced discussion of the impact of these factors on the prospects for cooperation in Prisoner's Dilemma and other games, see Kenneth A. Oye, "Explaining Cooperation under Anarchy: Hypotheses and Strategies," *World Politics* 38 (October 1985), 1–24.

[13] The most important exposition of the functions of institutions can be found in Keohane (fn. 3), chap. 6.

[14] The central importance that neoliberal institutionalism accords to the problem of cheating is elegantly elaborated in Joseph M. Grieco, *Cooperation among Nations: Europe, America, and Non-Tariff Barriers to Trade* (Ithaca, N.Y.: Cornell University Press, 1990), esp. chaps. 1, 2.

[15] Grieco (fn. 14), 38, points out that one of Axelrod's premises is that there is no way to eliminate a player or to avoid interactions.

[16] Axelrod and Keohane (fn. 10), 253, summarize: "We have seen that governments have often tried to transform the structure within which they operate so as to make it possible for the countries involved to work together more productively."

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question was not how to move to the Pareto frontier, but rather which point along the frontier would be chosen.

In the four issue-areas considered in this paper—radio and television broadcasting, remote sensing, allocation of the electromagnetic spectrum, and telecommunications (telephone and telegraph links including communications satellites)—there are no examples of harmony. And in two cases, radio broadcasting and remote sensing, there are no international regimes: there has been no agreement on principles and norms because more powerful states have been able to secure their first best outcome through unilateral action. The critical weakness of some states in these issue-areas was their inability to regulate access to their own territory because they could not effectively block all broadcasting signals or remote sensing probes.

In the other two issue-areas—allocation of the electromagnetic spectrum and telecommunications—there have been international regimes. Both initially posed pure coordination problems; actors wanted to avoid the mutually undesirable outcomes of radio interference and incompatible national communications systems. In recent years, however, distributional issues have become more consequential. Third World statesmen have worried that the entire electromagnetic spectrum would be allocated without taking account of the future needs of their countries. The regime has responded to these concerns because in this case Third World countries have power conferred by their ability to interfere with other states' broadcasts and by their membership in the ITU.[17]

In the area of telecommunications, technological change has altered the capabilities of actors and increased distributional conflicts. International regimes, in turn, have changed in response to these changes in capabilities. More precisely, technological innovation gave some private actors, primarily domiciled in the United States, an incentive to press for a more competitive telecommunications regime both domestically and internationally. The direct and indirect economic bargaining power conferred by these new technologies gave the United States the leverage to secure some changes in the extant regime (which had legitimated national monopolies) either through direct pressure or by changing the international market incentives confronting other actors.[18]

Modifications of the regime have been initiated by public threats of defection or unilateral action. Cooperation theory—which has focused

[17] This same analysis of the allocation of radio frequencies is offered by Stein (fn. 1), 131–32.

[18] Here and later in the paper I draw heavily on the superlative analysis of Peter Cowhey; see Cowhey, "The International Telecommunications Regime: The Political Roots of International Regimes for High Technology," *International Organization* 44 (Spring 1990), 169–99.

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heavily on market failures arising from dilemmas of common interests and on the need for regimes that provide information to facilitate monitoring and enforcement—is not relevant for global communications.[19]

Radio and Television Broadcasting

RADIO BROADCASTING

There is no international agreement on the fundamental issue associated with international radio broadcasting: the right to transmit signals across state boundaries without the prior consent of the target country. States have not agreed on basic principles and norms, save that of noninterference with existing transmissions (more on this below). Some states, notably Western market-oriented democracies, have defended the right to the free and open dissemination of information. Others, the Soviet Union and some Third World states, urged either that prior consent be obtained before broadcasting across international boundaries or that the content of international broadcasts be controlled. Although states have episodically condemned the broadcasting of hostile propaganda, they have failed to move toward any operational definition. Those few international agreements that have been endorsed are filled with the kind of confusing and contradictory language that betrays underlying disagreements about principles and norms.[20]

Given these disagreements, as well as the inability of states to block access to their own territory completely, the advocates of open dissemination have prevailed. In radio broadcasting, technology provides senders with more capability than is available to their targets. One of the basic attributes of de facto sovereignty, the ability to regulate transborder flows, has been compromised by the international transmission of hertzian waves. States with adequate resources can build globe-spanning

[19] This argument has been forcefully made by Stein (fn. 1), 130. Stein's analysis offers a much more differentiated perspective on the problem of cooperation than does most of the other regime literature because of the distinction between dilemmas of common aversions and dilemmas of common interests. Although the latter have gotten most of the attention, in part because of the fixation on Prisoner's Dilemma, the former may, in fact, be the more common area of concern.

[20] For instance, Article 44 of the Atlantic City Telecommunications Convention, which was endorsed by the UN General Assembly in December 1950, condemns the jamming of radio broadcasts, but it also cautions that states should "refrain from radio broadcasts that would mean unfair attacks or slanders against other peoples anywhere"; Leo Gross, "Some International Law Aspects of the Freedom of Information and the Right to Communicate," in Kaarle Nordenstreng and Herbert I. Schiller, eds., *National Sovereignty and International Communication* (Norwood, N.J.: Ablex, 1979), 203–9. See also B. S. Murty, *Propaganda and World Public Order: The Legal Regulation of the Ideological Instrument of Coercion* (New Haven: Yale University Press, 1968), 3–4, 109–10; David Marks, "Broadcasting across the Wall: The Free Flow of Information between East and West Germany," *Journal of Communication* 33 (Winter 1983), 46–55, at 47; and John L. Martin, *International Propaganda: Its Legal and Diplomatic Control* (Minneapolis: University of Minnesota Press, 1958), 78–79.

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transmitting facilities, but targets cannot completely block access to their own territory. Inexpensive radio receivers, compatible with international as well as national broadcasts, are readily available. Transmitting units are much cheaper than those for television. Radio signals can travel long distances without resort to satellites or other devices that might be monitored or controlled by national authorities. Unlike telephone and transborder data flows, it is not necessary to be hooked into a national network that can be regulated by state authorities. Jamming is difficult and expensive.

On the basis of the principle that states had sovereign control over their own airspace, the initial reaction to international radio in the 1920s and 1930s was that states had the right to control hertzian waves moving through their atmosphere. At the same time, however, states asserted the right to assign any frequency, provided that it did not interfere with broadcasts originating in another state. It was this principle that prevailed. By exercising the power to send out signals, subject only to the proviso of noninterference, states tacitly rejected sovereign control over radio waves transmitted through territorial airspace. Despite a number of vaguely worded resolutions about war propaganda in both the League of Nations and the United Nations, there has been no international agreement on norms that would limit the content of international radio broadcasting.[21]

There is a great deal of international broadcasting. During the First World War, Germany used radio for propaganda purposes. The earliest broadcasts were in Morse code and, hence, accessible to only a very small audience. In the 1920s the Soviet Union began the systematic use of radio as a propaganda tool. In the following decade the use of radio for international propaganda increased dramatically: by 1939 some twenty-five countries had international transmissions. And all of the major combatants in the Second World War broadcast propaganda messages. The United States, which had relied on commercial stations before the war, created the Voice of America in 1942. Another burst of activity was prompted by the beginning of the cold war in the late 1940s. By 1983 there were at least eighty countries with international services, and the major broadcasters—the United States, the Soviet Union, China, Germany, and the United Kingdom—were sending signals in more than thirty languages. There are also large commercial stations that beam their signals to other countries, such as Radio Luxembourg, Radio Monte Carlo, and various international religious broadcasters.[22]

[21] Martin (fn. 20), 71–75, 78–81.

[22] Bernard Bumpus and Barbara Skelt, *Seventy Years of International Broadcasting, Communication and Society*, no. 14 (Paris: UNESCO, c. 1985), 7–11, 20–31, 31–46, and chaps. 7–8.

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Efforts by receiving countries to block international radio transmissions have had only limited success. Jamming has been used almost since the inception of international broadcasting. Austria, Germany, and Italy jammed foreign broadcasts during and before the Second World War. The Soviet Union has jammed since the 1930s. Spain under Franco, some Middle Eastern countries, and China have also engaged in jamming.[23]

States have also attempted to control what their citizens can hear by limiting the capacity of radio receivers. In 1951, according to one study, only 18 percent of radio receivers in the Soviet Union were capable of direct reception; the rest could receive only over wires. South Africa developed an ultrahigh frequency network and produced sets with only one wave band, making it impossible to receive international broadcasts. Ghana at one time sold sets capable of receiving only a few stations.[24]

Efforts to impede the reception of radio transmissions have never been fully effective however. Jamming requires both long- and short-range stations, and, even with extensive capital investment, it is difficult to block all signals. Western broadcasts to the Soviet Union, for instance, have operated on as many as sixty frequencies and can cozy up to Soviet stations.[25] Furthermore, efforts at state control may only increase the curiosity of potential listeners. Radio receivers are too widely available and too easily altered to permit effective state regulation.

States have even had difficulty coping with pirate stations. Northern Europe has been the most fertile ground for pirate radio stations, because government-based monopolies limit options for listeners. In Italy and France land-based pirates were so successful that the respective governments were forced to legitimate them. Spain refused to sign a European agreement that would have prohibited Spanish subjects from supplying and repairing pirate stations at sea. British regulations impeded, but did not eliminate, pirate stations in the London area.[26]

In sum, the technology of radio broadcasting has made state control of transborder radio transmissions extremely difficult. Hertzian waves do not recognize political boundaries. The technology of radio, unlike that of television, developed one universal standard: a receiver that worked in one country would also work in another. Radio signals could

[23] Ibid., 100–102; Murty (fn. 20), 56; Martin (fn. 20), 85–86.

[24] Bumpus and Skelt (fn. 22), 102; Murty (fn. 20), 55.

[25] Jonathan Eyal, "Recent Developments in the Jamming of Western Radio Stations Broadcasting to the USSR and Eastern Europe," *Radio Liberty Research* RL 419/86, Radio Free Europe, Radio Liberty (1986), 2.

[26] Douglas Boyd, "Pirate Radio in Britain: A Programming Alternative," *Journal of Communication* 36 (Spring 1986), 83–94, at 86–92.

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be transmitted over very long distances. Because states have disagreed about the basic principles and norms that should govern radio broadcasts and because the available technology gives senders more power than receivers, there is no international regime for radio broadcasting. Those states that favor the open dissemination of information (or propaganda, depending on one's perspective) have prevailed.

TELEVISION BROADCASTING

The international spillover of signals has been less problematic for television than for radio. This difference, however, is more a reflection of the relative power imparted by technology than of any agreement on principles and norms: television is less geographically promiscuous. As ground-based television broadcasts do not travel long distances, spillovers have been limited to contiguous geographic areas. Even with the larger footprint of direct broadcasting satellites, signals are still regionally contained.

Although terrestrial TV signals can travel only a few hundred miles, there have been at least twenty-four cases in which broadcasting affected another country. The United States licensed TV stations aiming at a primarily Canadian audience. Israel initially tried to keep out television entirely because it was regarded as lowering cultural standards, but the government ultimately capitulated because Israeli citizens were receiving broadcasts from stations in Arab countries that carried many American programs. Hungarian and Czechoslovakian televisions were converted so that they could receive broadcasts from neighboring Western countries, a more complicated procedure than altering a radio, but one that could be performed by many television technicians. Most significantly, West German television could be received in most of East Germany. It was so popular that the East German government was compelled to install cable around Dresden, the one part of the country that could not directly receive Western broadcasts—this, to attract workers to the area.[27]

The development of direct-broadcasting satellites (DBS) posed more substantial challenges to national control. Initially, DBS, like radio, ap-

[27] George Quester, *The International Politics of Television* (Lexington, Mass.: Lexington Books, 1990), 30, 105, 113–14, 126–30. One poll of East German refugees (not exactly a random sample of the East German population) taken in 1985 indicated that 82 percent watched West German television on a regular basis. See Dieter Buhl, "Window to the West: How Television from the Federal Republic Influenced Events in East Germany," Discussion Paper D-5 (Cambridge: Joan Shorenstein Barone Center, Kennedy School, Harvard University, 1990), 3. Buhl argues that West German television undermined the legitimacy of the communist regime.

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peared to be a technology that could circumvent state control, because any individual with a television receiver could access transmissions from other countries. This fear has proven to be unfounded, though; interstate agreements have effectively regulated most satellite television broadcasts.

International agreements have endorsed the principle that television signals should be limited as much as possible to national markets. The 1971 World Administrative Radio Conference (WARC) on space telecommunications concluded in part that DBS spillover should be minimized unless there was an explicit agreement among countries. WARC delegates have agreed to utilize different channels, different orbital positions, and different polarizations for their transmissions from direct-broadcasting satellites. If these provisions were breached there would be interference with the broadcasts. Implied by the WARC agreements, therefore, was the de facto acceptance of the principle of no broadcasting without prior consent.[28]

Agreement, however, has been limited to areas where states have shared interests and relatively equal power. Europe offers the prime example. European states have authorized the expansion of direct-broadcasting satellites as one manifestation of a more integrated Europe; they have also, however, imposed restrictions on advertising and content and encouraged the development of more European programming. Commenting on American objections to a Community directive that at least 50 percent of programming—excluding sports, game shows, and advertisements—be produced in Europe, Jacques Delors, the president of the European Commission stated: "I say to the United States, 'Have we the right to exist, to perpetuate our traditions?' "[29]

In contrast, there has been no agreement on broadcasting between Cuba and the United States. The United States has beamed television signals at Cuba, and the Cuban government has jammed them. Likewise, West Germany consciously acted to penetrate East Germany. When East Germany adopted a color TV system that was incompatible with West German broadcasts (the black and white systems had been the same), the West Germans began broadcasting on both their own and the East German standard.[30]

In sum, land-based television broadcasting has presented less of a

[28] Stephen Gorove, "International Direct Television Broadcasting by Satellite: 'Prior Consent' Revisited," *Columbia Journal of Transnational Law* 24 (1985), 8, 58. See also David E. S. Blatherwick, *The International Politics of Telecommunications*, Research Series (Berkeley: Institute for International Studies, 1987), 42, 47.

[29] *Europe*, April 1989, p. 29; *Financial Times*, June 15, 1989; *New York Times*, October 4, 1989, p. C17.

[30] Quester (fn. 27), 126.

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problem than radio because the available technology has limited reception; nevertheless politically controversial spillovers did occur in the Middle East and Europe. When direct-broadcasting satellites increased the footprint of signals, states with the same preferences and the mutual ability to interfere with each other's broadcasts, such as the members of the European Community, could coordinate, but those with disagreements, such as Cuba and the United States, could not. Where disagreements on the principle of prior consent existed, the payoff matrix was Deadlock. There was no agreement because for both parties the first best choice was unilateral uncoordinated action. Those states favoring open access prevailed because the distribution of power, derived from the available technology, made it easier to transmit successfully than to block radio and television transmissions. The issue was where states would end up on the Pareto frontier, not how to get there.[31]

Remote Sensing

Remote sensing is another issue-area in which there is no agreement on basic principles and therefore no foundation for an international regime. Remote sensing involves electronic information gathering from satellites. States have disagreed about basic principles and norms—the right to sense versus the need to secure prior consent from the target state. Power is asymmetrically distributed: target states have not been able to block sensing probes. The behavior of those more powerful states that are able to engage in remote sensing has been constrained only by the need to secure territorial access to make use (usually commercial) of some of the data secured from satellite probes.

The first American remote sensing satellite was launched in 1972. A number of countries, including India, China, France, and Japan, have their own programs. These satellites can gather important strategic and commercial data from anywhere. It is very difficult, and in many cases impossible, for sensed states to disrupt this process (as distinct, say, from the possibilities in systems with gateways such as oceanic cables that are easily accessible to state authorities). While some commercial applications of data gathered by remote sensing, such as the exploitation of minerals, do ultimately require territorial access, other kinds of information, such as the deployment of military forces or the prospects for crop yields, do not.

The international rules that have evolved in the area of remote sensing

[31] Assuming no agreement on principles, the future of state control will depend on power derived from technological choices. It would, for instance, be easier to regulate transmissions sent through fiber-optic cables than those sent via satellites. Ibid., 138–39.

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are not constraining.[32] The UN General Assembly has endorsed the following principles: remote sensing is not to be carried out in a way that would be detrimental to the sensed state; sensed states are to be allowed to participate in programs and are to be given access to processes as well as raw data; sensing states are to notify the UN of their programs. The United States, the Soviet Union, and Japan, however, have stated that they do not regard these rules as legally binding.[33]

A number of possible regimes were rejected. Developing countries had initially endorsed the view that there should be no remote sensing without the prior approval of the sensed state.[34] But without the ability to block satellite probes, states could not enforce such a rule or compel others to accept it. Sweden had advocated the creation of an international regime similar to that for satellite communications, in which control over the gathering and dissemination of remote sensing data would be subject to a formal international agreement. This too failed.[35] Unlike telecommunications, where the technology would be useless or its benefits severely curtailed without state-authorized territorial access, remote sensing allowed actors in one state to secure useful information about conditions in another without formal approval.

Nonetheless, remote sensing has not entirely evaded the control of sensed states. From the outset, the United States accepted the fact that the commercial benefits of its remote sensing program would be limited unless it engaged the support of other countries. It backed the development of local receiving stations and made the raw data secured from its LANDSAT available to all comers at affordable prices, an approach that coincided with the traditional American commitment to the free flow of information. Not surprisingly, this openness was not extended to the security arena; satellite photographs with very fine resolution remain highly classified.[36]

Hence in the area of remote sensing, as with radio and television broadcasting, there is no agreement with regard to the basic principle of prior consent, that is, the right of a national state to control access to its own territory. Remote sensing is an area in which more powerful states have not confronted problems of coordination or distribution. Consequently, their first best solution was to act unilaterally; they have provided target states with some information because the latter had the power to control the territorial access necessary to realize some of the commercial benefits of remote sensing.

[32] Marvin Soroos, *Beyond Sovereignty: The Challenge of Global Policy* (Columbia: University of South Carolina Press, 1986), 340.
[33] Blatherwick (fn. 28), 72–76.
[34] Ibid., 62–64. [35] Ibid., 74–77. [36] Ibid., 57, 77.

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The Electromagnetic Spectrum

In the last two issue-areas related to international communication considered in this paper—allocation of the electromagnetic spectrum and telecommunications—no state could achieve its objectives through purely unilateral action. The allocation of the electromagnetic spectrum involves a classic coordination problem. If there is no general agreement on frequency allocation, then broadcasts can interfere with each other. This can happen even if states agree on the principle of the open dissemination of information without prior consent. Distributional issues, which are also a factor, include determining which groups of broadcasters should have standing, allocating geosynchronous orbit slots for broadcast satellites, and, most important, defining the principle that should be used for partitioning the electromagnetic spectrum. Since the spectrum is a limited resource, who gets how much and why?

The International Telecommunication Union (ITU)—an intergovernmental organization and the various World Administrative Radio Conferences (WARCs) that it sponsors—has been the venue within which these issues have been resolved. States have played the decisive role because they are the only actors capable of enforcing agreements, that is, of controlling broadcasts emanating from within their own territory.

The major question associated with the electromagnetic spectrum has been the determination of principles and rules upon which allocation should be based. Occasionally this matter has been resolved on technical grounds; for instance, the spark wireless sets used on ships at the beginning of the twentieth century were inexpensive but very wasteful of the radio spectrum. They were eventually phased out.

Most competing claims have not been so easily settled, however, for instance, the allocation of geosynchronous orbits, which are the most efficient locations for broadcasting satellites. The claims of some equatorial states to sovereign control of slots above their own territory have simply been ignored by more powerful states. The allocation of these slots has been made at World Administrative Radio Conferences dealing with space orbits. These deliberations have given INTELSAT, an international consortium that controls most communications satellites, priority rights over national and binational satellite systems. INTELSAT had the support of Third World and other countries.[37] The regime clearly mattered here because the venue for making this decision, the ITU, which sponsors WARCs, is a universal international organization based on the principle of sovereign equality: one nation, one vote. The issue here is not whether

[37] Andrea Kavanaugh, "Star WARCs and the New System: An Analysis of U.S. International Satellite Policy Formation," *Telecommunications Policy* (June 1986), 93–106, at 105.

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the Pareto optimal frontier would be reached but which point along the frontier would be chosen.

In dividing up the spectrum there have been two rival positions. The first, which dominated allocation until very recently, has been that frequencies should be designated on a first-come-first-serve basis, provided claimants could make effective use of the resource. The second, championed by less developed countries, has been that at least some portion of the spectrum should be allocated on the basis of sovereign equality. The concern of the developing countries is that by the time their needs increase, already developed countries will have claimed virtually all usable frequencies.

The principle of basing allocation on usage was agreed to very early. The 1906 convention on radiotelegraphy specified that certain radio bands be used for certain types of services. Radio frequencies were registered on a first-come-first-serve basis. Countries notified the Bureau of the International Telegraph Union (the predecessor of the International Telecommunications Union) in Bern that they had established a communications channel. Other countries, in turn, were prohibited from interfering with stations that were on the Bern list.[38] By 1980 this first-come-first-serve set of rules had resulted in a situation in which the Soviet Union and the United States claimed half of the available frequencies and 90 percent of the spectrum was allocated to provide benefits for 10 percent of the world's population.[39]

Developing countries have challenged rules of the game based solely on present need, arguing that some part of the spectrum should be reserved for future demand. Delegates to recent WARCs have accepted this principle. Developing countries derived leverage from the fact that, as states, they had a presumptive right to participate in ITU conferences, which afforded them access to the relevant decision-making forums and facilitated coordination of their strategies. Unlike many other areas, in which LDCs have little or no directly relevant power capabilities (they cannot with two or three exceptions, for instance, launch satellites, nor can they shoot them down), developing states can interfere with the signals of neighboring countries.

The political issues involving the international regime for allocating the radio spectrum were not generated by market failures leading to Pareto suboptimal outcomes (the problem that has informed most theo-

[38] George A. Codding, Jr., and Anthony M. Rutkowski, *The International Telecommunication Union in a Changing World* (Dedham, Mass.: Artech House, 1982), 13, 25–26.

[39] Stephen D. Krasner, *Structural Conflict: The Third World against Global Liberalism* (Berkeley: University of California Press, 1985), 229.

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ries about international regimes). Rather, they grew out of matters involving coordination with distributional consequences. Unilateral action would leave all actors worse off, but any form of coordination would privilege some over others. This is a classic Battle of the Sexes payoff matrix. The point along the Pareto frontier that has been chosen—one at which most frequencies are still allocated on a first-come-first-serve basis that benefits industrialized countries—reflects the existing distribution of power capabilities as manifested by the present demand for communications channels. Nevertheless, the preferences of developing countries have not been completely ignored; unlike the cases of radio broadcasting and remote sensing where targets had little power, in the case of the electromagnetic spectrum Third World states could exercise some leverage through their votes in the ITU and their ability to interfere with broadcasts from other states.

Telecommunications

International telecommunications—telegraph, telephone, and transborder data flows—pose a fundamental coordination problem: assuring the economic and technical compatibility of international links. Choices also have distributional consequences. In recent years the most controversial aspect of these choices has concerned which actors could participate in global telecommunications and whether prices should be set by market competition or administrative fiat. The major impetus for change came from technological innovations that altered the interests, and ultimately the power, of the various public and private players. These technological changes led some actors, especially in the United States, to press for a more market-oriented regime, as opposed to one that legitimated national monopolies.

Despite astonishing technological changes beginning with the invention of the telegraph in 1836 and continuing through the initial deployment of high-quality fiber-optic cables and satellites in the 1960s, the international regime for telecommunications remained fundamentally stable. It was a regime based on national monopolies, usually public post and telephone and telegraph agencies (PTTs) but occasionally privately owned firms, as with American Telephone and Telegraph (ATT) in the United States. Prices were set through administrative fiat both nationally and internationally. The sending country could charge whatever it wanted for a call and paid a fixed fee to the receiving country. Senders were prohibited from routing calls along cheaper paths or from selling blocks of calls, which together essentially precluded price competition. Within countries, at least in the case of many industrialized countries,

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suppliers of telecommunications equipment were usually limited to national entities such as Western Electric, the equipment-manufacturing subsidiary of ATT before the latter was broken up.[40]

The history of international organizations dealing with telecommunications began with the International Telegraph Union, which was created after a meeting called by Napoleon III in 1865. (The name was changed to the International Telecommunications Union in 1932, when radio transmission was formally added to its portfolio.) The inaugural session dealt with such coordination problems as designating hours for sending and receiving, agreeing on a common code (the international Morse code), and setting technical standards. International cable links (the first telegraph cable was laid under the English Channel in 1851) were jointly owned by the operating entities at the termini of the cables. Like cables, international wireless communication, which was first developed at the end of the nineteenth century, had to be tied into national communications networks at a limited number of gateways, to provide telegraph or telephone service. States jealously guarded their right to regulate wireless communication, even between ships. National regulations frustrated an effort by the Marconi company, the original developer of such equipment, to set its own international rules.[41]

The International Telecommunication Union (ITU) and INTELSAT, the consortium created to launch and operate communications satellites, were designed to reinforce this system. INTELSAT was a common carrier for common carriers, not a rival for established national monopolies. Peter Cowhey has argued that the "regime was in fact a political invention so successful that it eventually disappeared from sight."[42] The old regime legitimated a system of national monopolies and administered prices so successfully that the ITU and its committees came to be viewed as little more than agencies for dealing with questions of technical compatibility.

In recent years the fundamental principles and rules of the old regime—national monopolies and administered prices—have been challenged by new actors with new power capabilities, the result of techno-

[40] Cowhey (fn. 18), 177–80. See also William J. Drake, "Asymmetric Reregulation and the Transformation of the International Telecommunications Regime" (Unpublished paper, Department of Communications, University of California, San Diego, August, 1989), 3–4, 11–15. A revised version will appear in Eli Noam and Gerard Pogerel, eds., *Asymmetric Deregulation: The Dynamics of Telecommunications Policies in Europe and the United States* (Norwood, N.J.: Ablex, forthcoming).

[41] Codding and Rutkowski (fn. 38), 12–13. See also Mildred Feldman, *The Role of the United States in the International Telecommunication Union and Pre-ITU Conferences* (Baton Rouge, La.: Mildred L. Bos Feldman, 1975), 23–29, 48; and Sara Fletcher Luther, *The United States and the Direct Broadcast Satellite: The Politics of International Broadcasting in Space* (New York: Oxford University Press, 1988), 19.

[42] Cowhey (fn. 18), 169.

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logical change. Telecommunications is eroding the distinction between voice and data forms of transmission. The microchip revolution created potent new equipment manufacturers. Communications systems have been linked with computers. Fax machines have obscured the difference between conventional mail and telecommunications.

New technologies gave large users and new equipment producers an incentive to change the extant system of national monopolies. Large users could reduce their communications costs by developing alternatives to those services offered by national PTTs. The producers of new equipment could realize greater economies of scale by accessing foreign as well as domestic markets.[43] More efficient telecommunications services could enhance the competitiveness of particular companies or even national economies. Unlike even the dramatic technological changes of the 1830s through the 1950s, the more recent developments have made it possible for individual companies to achieve greater efficiencies by developing their own telecommunications systems rather than relying entirely on national monopolies.[44]

It is not surprising that changing incentives have changed national policies. The United States has been at the forefront of the demands for a more competitive international system, one that would be based more on market competition than on public or private monopolies imposing state-authorized tariffs. Many of the large users and manufacturers that would benefit from a more competitive environment are domiciled in the United States. Moreover, the United States had already deregulated its domestic regime for telephone communications. Once the United States opened its own market to foreign manufacturers of equipment, it had an incentive to pry open the markets of its competitors as well.[45]

The United States has not been alone in pushing for a more competitive international environment. The United Kingdom and Japan have also supported change. Like the United States, these two countries are hubs of global communications and the home countries for major international financial and manufacturing companies that can derive large savings by introducing new communications facilities and services. The United States, the United Kingdom, and, to a lesser extent, Japan have supported what Cowhey has called the big bang—a major move away from national monopolies.[46]

[43] Ibid., 188; Drake (fn. 40), 40–42, 46–48.

[44] For instance, beginning in the 1960s IBM developed its own communications system based on satellites and lines leased from PTTs. This system now extends to 145 countries; *Business Week*, special issue no. 3033–44, January–March 1988, p. 141.

[45] Jonathan David Aronson and Peter F. Cowhey, *When Countries Talk: International Trade in Telecommunications Services* (Cambridge, Mass.: Ballinger, 1988), 218–23.

[46] Cowhey (fn. 18), 191–95.

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There was initially little support for the Anglo-American position. The European PTTs were not anxious to open their national markets to competition. But some of the large European companies supported change, if only because they feared that national restrictions would give an advantage to their American competitors, who worked in a more market-oriented system. The European Community eventually supported American initiatives to place services, including telecommunications, in the GATT negotiations, where the prevailing principles and norms were market-oriented, rather than solely within the purview of the ITU, which had historically legitimated national monopolies. Even within the ITU there has been some change. A 1989 agreement recognized the right of new entities, such as IBM, to operate under the same rules as established private phone companies.[47]

In response, the PTTs and their national governments have not simply acceded to demands for a purely market-oriented regime. They have used regulations and standards to maintain their national control, for example, prohibiting the connection of private lines to publicly switched networks, banning independent transmission facilities, and requiring PTT equipment for initial connections. Because of anxiety about budget deficits, pressure from manufacturers of new equipment, and perhaps the insistence of the United States, the Japanese government has privatized Nippon Telephone and Telegraph (NTT) and permitted some competition for international services, but it has not yet endorsed a free and open market. The EC is committed to introducing a free market for terminals, private branch exchanges (PBXs), and value-added services as part of the 1992 program. PTT monopolies may be limited to such basic services as telephones.[48] Although the Canadian system is more open than those in Europe, it has more restrictions than that of the United States.[49]

Changing national policies in the area of telecommunications reflect the way in which technological innovation can alter national power and policies. Once domestic deregulation had eliminated ATT's long-distance monopoly, the company's interest in preserving monopolies in other countries disappeared. Indeed, many American producers and users would be better off under a more competitive international system, but the United States could not impose a competitive system on other countries. It could, however, pressure other actors, most obviously by threatening to block access to the very large American market for equipment

[47] Ibid., 196; Drake (fn. 40), 49, 66.

[48] Hans Bauer, "Telecommunications and the United European Market," *Telecommunications* 25 (January 1990), 33–35.

[49] Aronson and Cowhey (fn. 45), 162, 178–80.

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but also by adopting national regulations that would leave more restricted foreign telecommunications users at a competitive disadvantage.

In sum, the international regime has changed. Although national monopolies still control basic domestic services in most countries, a wider range of telecommunications facilities has been introduced. There has been movement toward a more market-oriented international regime. A few large countries, especially the United States, have changed the incentives offered to other actors in the international system. Whatever the final outcome of the movement toward a more market-oriented system, the issues involved have not been ones of market failure. Nor is this a situation of harmony in which unilateral choices maximize both individual and collective interest. The tough bilateral and international negotiations over the rules governing the provision of telecommunications equipment and services suggest that while states need to coordinate their behavior, they also differ in their views about which is the most desirable point on the Pareto frontier.

Satellite Communications

The case of the development and deployment of communications satellites raised issues of coordination yet again. On the one hand, the absence of coordination would have left all actors worse off; on the other hand, the choice of which form of coordination to adopt would inevitably have distributional consequences.

The new international regime for communications satellites departed from existing practices in significant ways. International cables, the first means of transmitting messages across open waters, were usually jointly owned by various national operating entities. For satellites, INTELSAT, a new entity organized as a consortium of member states, was created. Instead of placing communications satellites under the purview of the ITU, where one-nation-one-vote practices would have given Third World and Eastern bloc countries some leverage, the new consortium distributed votes according to usage. This gave the heaviest users the largest number of votes. INTELSAT itself, rather than national operating entities, owned satellites, a departure from the practice governing international cables. Nevertheless, INTELSAT reinforced rather than challenged the prevailing system of national monopolies. Satellites that had at least the potential for point-to-point communication were not initially allowed to disturb the prevailing regime of national monopolies.[50]

The United States, the prime mover in the creation of INTELSAT, had

[50] Cowhey (fn. 18), 181.

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originally hoped to handle satellite communications through a series of bilateral agreements that would have maximized the bargaining power of the United States, with its substantial technological lead in the early 1960s. The Europeans countered with a proposal to create a new international organization that would constrain American influence. The idea of a consortium, the institutional arrangement that was ultimately accepted, was also proposed by the Europeans.

Given a new set of problems in which the power resources of the actors were different from those affecting radio and cable communications, the U.S. and the major Western European states acted on their own to create a new organization rather than rely on an existing entity, such as the ITU or the United Nations Committee on the Peaceful Uses of Outer Space. The consortium reflected a distribution of power in which the United States controlled vital technology but other states still regulated access to their national systems. The Soviet Union and LDCs were excluded from the opening negotiations, although the United States did conduct bilateral talks with the Soviet Union. Japan, Australia, and Canada played peripheral roles.

In June 1964 the participants concluded an interim five-year agreement. Ownership and voting power would be based on usage, which gave the United States 61 percent and Western Europe 30.5 percent of the votes. Australia, Canada, and Japan received 8.5 percent. Quotas could be adjusted to give developing countries up to 17 percent, but no more. These arrangements allowed the United States to maintain a secure controlling interest—but with limitations. If there was disagreement on important issues, voting rules mandated that passage required 12.5 percent of votes over and above the votes of the member with the largest number of votes. Hence, the United States could not act alone.[51]

Nineteen official actors (eighteen countries and the Vatican) signed the final agreement in July 1964. Membership in INTELSAT has since grown to more than one hundred countries. Voting power is still based on usage and is reallocated once a year on the basis of activity over the previous six months.[52]

The national power capabilities provided by technological and financial resources initially gave the United States the dominant role in INTELSAT, even if American policymakers failed to secure their first best insti-

[51] Joseph N. Pelton, *Global Communications Satellite Policy: Intelsat, Politics and Functionalism* (Mt. Airy, Md.: Lomond Books, 1974), 54–59.

[52] Richard R. Colino, "Global Politics and INTELSAT: The Conduct of Foreign Relations in an Electronically Wired World," *Telecommunications Policy* 10 (September 1986), 199.

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tutional preference of bilateral arrangements. Not only did the United States have more voting power, but its designated operating entity, Comsat (the Communications Satellite Corporation established as a joint venture for American participation in communications satellites), was recognized in the 1964 Interim Agreement as the operational manager for INTELSAT. Daily operations were entirely in Comsat's hands. No INTELSAT secretariat or international civil service was specified by the Interim Agreement.[53] Over time, the influence of the United States eroded, as the underlying power capabilities of other states increased with the diffusion of technology. Negotiations for a permanent agreement to supplant the 1964 Interim Agreement took place between 1969 and 1973. These discussions resulted in a decrease in American control including a reduction in the role of Comsat.[54]

In more recent years INTELSAT has actually hindered American efforts to create a more competitive market-oriented regime by developing alternatives to INTELSAT's satellites. The director general of INTELSAT argued in a 1986 article that

> one other conclusion which may be reached is that foreign policies and relations should not be the product of a "Johnny-one-note" economic philosophy. U.S. estrangement from INTELSAT is not a desirable or viable alternative for world peace and understanding. And, while the currently popular economic trilogy—deregulation, pro-competition, and private sector predominance—may have its value and applicability, it is simply insufficient to serve as a complete litmus test for enlightened and effective foreign relations.[55]

The United States itself has approved some new satellite operations, but with substantial restrictions that recognize the central role of INTELSAT. The FCC ruled that new operations could not connect with public switching networks, because they would have directly competed with INTELSAT's services. New systems could be established only with the permission of a foreign government and if they went through an INTELSAT review of coordination.[56]

Alternative satellite systems would be useless so long as states have effective control over gateways to domestic networks. As in the case of cables, the acceptance of INTELSAT competitors will depend upon national calculations of interests. Central decision makers in the United States have endorsed private initiatives. State actors in other technologically advanced countries may do the same. International competition will give

[53] Pelton (fn. 51), 82.
[54] Ibid., 123; Kavanaugh (fn. 37), 97.
[55] Colino (fn. 52), 208.
[56] Aronson and Cowhey (fn. 45), 121–32.

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states with more limited technological capacities an incentive to accept non-INTELSAT satellite systems lest their economies be placed at a competitive disadvantage. With the erosion of INTELSAT's monopoly, the international regime for communications satellites will become more appealing for some states and less so for others.

The development of communications satellites created a new set of technological challenges and new problems of distribution and coordination among states and operating entities. The resolution of these problems was consistent with the distribution of power in this issue-area. Without active American participation, the development of communications satellites would have been impossible in the first place; the United States initially enjoyed a dominant position because of its command of technology. Other states preferred a satellite system in which the United States wielded the greatest influence to no system at all, but they were still in a position to force some compromises because they still controlled access to their own national communications networks, and without such access satellites would be useless. Communications satellites were regulated by a consortium not a set of bilateral treaties. Moreover, as American technological capabilities declined relative to those of other industrialized states, U.S. influence in INTELSAT eroded. As in the area of telecommunications more generally, the United States has had some, but far from total, success in pushing for a more market-oriented regime. The main incentive for acceding to American pressure has been the fear of being placed at a competitive disadvantage. The main instrument for resisting such pressure is the ability of states to regulate access to their own systems.

The issue in the case of communications satellites was not market failure or monitoring adherence to agreements. Rather, it concerned the distribution of rewards. There are many points along the Pareto frontier. Those that have been chosen have reflected the relative bargaining power of states.

Conclusions

The literature on international regimes has focused on market failures. It has emphasized the possibility of mutual gains. When the logic of individual utility maximization leads to Pareto suboptimal outcomes, appropriate institutional constructs can enhance well-being. Power, the conventional focus of the literature on international relations, is not necessarily inconsistent with this perspective. Robert Keohane has argued that what he calls the contractual approach is not a substitute for a

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power-oriented or interdependence position, but is rather a supplement to these "traditional modes of political analysis."[57]

Research programs, however, have both a denotation and a connotation. While the denotation, or explicit logic, of a research program based on the investigation of market failure is not inconsistent with a power-oriented analysis, the connotation of this research program is that power can be ignored. The connotation of a research program suggests which questions are most important, what kind of evidence should be gathered, and, often tacitly, which issues should be ignored. In a penetrating analysis of the positive theory of institutions, Terry Moe argues that

> over the last decade, as the positive theory of political institutions has developed as an intellectual enterprise . . . [t]he theme that gets driven home again and again is that political institutions help mitigate collective action problems—and that this is why they exist and take the forms they do. While the positive theorists are well aware that politics is a game of winners and losers and that institutions are crucial means by which winners win and losers lose, this is not an equally important theme. All too often, it is not discussed at all.[58]

The research program that emerges from an emphasis on market failure, one specific manifestation of the problem of social choice, suggests that the most important issue is how to reach the Pareto frontier. Prisoner's Dilemma is the exemplary payoff matrix, but other situations such as Stag Hunt or Chicken, all of which can result in Pareto suboptimal outcomes, are also examined. Deadlock, the one other game that has been mentioned with any frequency in the cooperation under anarchy literature, is not extensively discussed because it is not analytically interesting. Battle of the Sexes is hardly noted at all as a possible payoff matrix.[59] Analysis involves investigating the kinds of institutional arrangements that can overcome the problem presented by a payoff structure in which the Pareto optimal outcome is not a Nash equilibrium. For example, although Keohane explicitly argues in *After Hegemony* that both power and exchange determine outcome, the most heuristically compelling section of the book, chapter 6, examines the ways in which institutions can overcome problems of market failure by, for instance, increasing the symmetry and amount of information, making it easier to establish reputation across several issue-areas, and promoting convergent

[57] Keohane, "Multilateralism: An Agenda for Research," *International Journal* (Autumn 1990), 746. See also Keohane (fn. 3), 21.

[58] Moe, "Political Institutions: The Neglected Side of the Story" (Paper prepared for the Yale Law School *Journal of Law, Economics, and Organization* Conference on the Organization of Political Institutions, April 27–28, 1990), 1–2.

[59] For an excellent discussion of various payoff matrices, see Oye (fn. 12), 12–18.

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expectations. It is this chapter that has influenced the research program on cooperation, not Keohane's recognition of the fact that institutions are created within a power-driven context.

Power is ignored because the research program based on the analysis of market failure does not provide either heuristic insights or analytic techniques for investigating relative capabilities. Power recedes into the background not only because scholars have studied absolute rather than relative gains,[60] but also because it is not evident how power is relevant for solving problems of market failure. If the purpose of international regimes is to enhance both the amount and the symmetry of information so that states can be more confident that they can prevent cheating, then the cognitive ability to construct efficacious institutional arrangements is more important than national power capabilities. Cleverness can make everyone better off.

Conversely, a power-oriented research program is not logically inconsistent with the analysis of market failure. But again, the connotation of such a research program pushes issues of Pareto suboptimality, cheating, and monitoring into the background. The most important issue for a power-oriented analysis is the distribution of capabilities and benefits. Charles Perrow, for instance, argues that there is always a struggle within an institution because control of the institution can bring with it a variety of rewards including security, power, and survival.[61] For a power-oriented research program, power is exercised not to facilitate cooperation but to secure a more favorable distribution of benefits.[62] And analysis seeks to explain outcomes in terms of interests and relative capabilities rather than in terms of institutions designed to promote Pareto optimality.

The primary motivation for establishing international regimes for international telecommunications has been to solve coordination problems that have distributional consequences—not to address problems of market failure. States wanted some set of rules for the allocation of the electromagnetic spectrum and international telecommunications including satellites, because the failure to coordinate policies on noninterference and on the compatibility of national networks would have left everyone

[60] This point is forcefully made in Grieco (fn. 2).

[61] Perrow, *Complex Organizations: A Critical Essay*, 3d ed. (New York: Random House, 1986), 132. Perrow criticizes economic analyses, such as the principal agent literature, for ignoring the distribution of power (pp. 230, 257–58).

[62] Contrast (1) the discussion in Axelrod and Keohane (fn. 10), 249, about the way in which background conditions, such as issue linkage, can be altered to facilitate cooperation with (2) the analysis in this paper, in which power is used to alter background conditions (players, issue linkage, payoff matrix) to change the distribution of benefits.

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worse off. But because the decisions would be consequential for the distribution of rewards, conflict arose over how such coordination problems should be resolved, that is, where along the Pareto frontier they would end up. While all actors were better off with some form of coordination rather than none, the form of coordination adopted would affect them differently.

The regimes that have been established for the allocation of the radio spectrum and international telecommunications have reflected the relative power of states and have changed as the distribution of power has changed. Regimes were not irrelevant; without at least some shared rules all actors would have been worse off. Power has been determined by three considerations: technology and market size, which have influenced the relative opportunity costs of change and therefore the ability to make credible threats; membership in universal international organizations, which has given states the presumptive right to influence policies that are affected by one-nation-one-vote decision-making procedures;[63] and control over territorial access provided by juridical sovereignty.

For instance, INTELSAT became much less of an American preserve as the technological capabilities of other states improved. Third World states were able to secure some changes in the first-come-first-served principle of allocating the electromagnetic spectrum because they had a presumptive right to membership in the ITU and because, once they had their own broadcasting facilities, they could interfere with the radio signals of others. The United States was able to secure some movement toward a more market-oriented regime for global telecommunications because some actors in other states feared that they would be put at a competitive disadvantage by unilateral American action, but U.S. leverage was limited by the fact that state authorities controlled access to their own national networks.[64]

In two cases—radio broadcasting and remote sensing—there has been no agreement with regard to the basic issue of whether sending states have to secure the prior consent of targets. States opposed to prior consent could secure a better distribution of rewards through unilateral action, that is, by broadcasting or sensing without the prior consent of target countries rather than by attempting to coordinate with those opposed to the free dissemination of information. Third World states secured

[63] This argument is elaborated in Krasner (fn. 39).

[64] Such control is not foreordained even for telephone communications. While international links for both satellite and cable are now connected to national systems through a limited number of easily regulated gateways, Motorola has announced plans to develop a portable telephone system that could send and receive calls point to point anywhere on earth by bouncing signals off seventy-seven satellites; *New York Times*, June 26, 1990, p. 1.

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some data from remote sensing because their approval for territorial access was needed to realize the commercial benefits of some information.

There has been no systematic classification of international regimes with regard to whether market failure, coordination, or distributional questions have been central. Are interactions among states best characterized by Prisoner's Dilemma, Stag Hunt, Deadlock, the Battle of the Sexes, or some other payoff matrix? The literature on cooperation has focused on payoff matrices in which cheating is a central problem because the Pareto optimal outcome is not a Nash equilibrium. This research program is academically attractive because it allows political scientists to deploy a heuristically powerful array of analytic tools developed by economists, not to speak of the appeal of identifying with a discipline higher on the social science pecking order and better able to present itself as a true science, Nobel prize and all.[65]

How important is market failure for the study of international relations? It is illusory to suppose that this issue will be resolved on the basis of empirical studies. The literature now contains enough examples to suggest that both market failure and power-oriented research programs can present plausible analyses, often about the same issue.

There are, however, three aspects of the international system that suggest that a power-oriented approach is, in many cases, more appropriate than analyses based on market failure. First, there are some issues in international politics, especially but not exclusively related to security, that are zero sum. What is at stake is the power, that is, the relative capacity, of actors. Power-oriented concerns may be directed either toward altering the behavior of others or toward preserving one's own autonomy. Market failure is never at issue here; one actor's gain is another's loss.[66]

Second, in international relations it is possible to eliminate some players through the use of force or to compel an actor to accept an outcome that it would never agree to voluntarily.[67] This is an option that is not analytically tractable for a market failure research program, which assumes that actors are in a position to make voluntary choices. The Austro-Hungarian Empire did not chose to dismantle itself after the First World War. Munich compelled Czechoslovakia to accept an outcome that left it absolutely worse off.

Third, even if states are interested in absolute rather than relative

[65] Robert Jervis has also argued that one of the attractions of Prisoner's Dilemma is that it lends itself to interesting manipulations; see Jervis, "Realism, Game Theory, and Cooperation," *World Politics* 40 (April 1988), 317–49, at 323.

[66] See ibid., 334, for a similar formulation. Grieco (fn. 14) places particular emphasis on the desire of states to preserve their freedom of action.

[67] I am indebted to Terry Moe for pointing out this line of argument.

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gains, the initial allocation of property rights will have distributional consequences, even if any particular specification of such rights can lead to a Pareto optimal outcome.[68] Different choices will differentially privilege different actors.[69] Changing the rules for using the radio spectrum, or setting tariffs for INTELSAT, or lending IMF resources, or assigning landing rights for international airlines, or limiting whale catches would benefit some actors at the expense of others. The issue here is movement along the Pareto frontier, not how to reach the frontier. Power and interests, not monitoring capacity, determine outcomes.[70] These three characteristics—concern with relative power, the ability to eliminate actors, and the assignment of property rights—are the core of much of the literature on international relations.

This is not to say that institutions or market failure problems are irrelevant. First, as John Ruggie, in particular, has elegantly argued, the existence of the basic actors in the contemporary international system—national states—must be understood in a larger, historically grounded institutional context. The issue here, however, is not the temptation to cheat and the ability to monitor but rather an understanding of how the players in the game came to exist in the first place.[71] Second, the free-rider problem that emerges when there is a very asymmetrical distribution of power will lead to the Pareto suboptimal provision of collective goods. In these circumstances, however, the problem is not cheating and monitoring but rather the fact that the more powerful state (or small group of states) prefers to provide the collective good regardless of what the smaller states do, and the smaller states prefer to defect regardless of what the larger state does. A situation of Prisoner's Dilemma arises only if there are a larger number of smaller states, no one of which is willing to provide collective goods unilaterally. Third, past institutional choices do influence the contemporary interests and power of actors exactly because such choices privilege some players at the expense of others.

[68] Ronald Coase, "The Problem of Social Cost," *Journal of Law and Economics* 3 (1960), 1–44. John Conybeare has applied Coase's logic to problems of international organization. See Conybeare, "International Organization and the Theory of Property Rights," *International Organization* 34 (Summer 1980), 307–34, esp. 322–23, where the author recognizes, although does not elaborate, the income effects of the initial distribution of property rights.

[69] For instance, Joseph Grieco's recent study of the nontariff barrier codes negotiated during the Tokyo Round suggests that conventional concerns about relative power are a more persuasive explanation of outcomes than neoliberal considerations involving cheating and information. Grieco argues that both absolute and relative gains must be included in the utility function of states; see Grieco (fn. 14), 40–49.

[70] Snidal (fn. 1), 935, demonstrates that a more powerful state, understood as the actor which is less in need of coordination, will, in a bilateral bargaining situation, secure an outcome closer to its most desired point than its weaker antagonist.

[71] Ruggie, "Continuity and Transformation in the World Polity: Toward a Neorealist Synthesis," *World Politics* 35 (January 1983), 261–85.

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Nevertheless, for a very large class of global issues, indeed the classic agenda of the study of international politics—security, autonomy, and the distribution of valued resources—power needs to be given pride of place. These issues are not characterized by the fact that Pareto optimal outcomes are not Nash equilibria. Neoliberal speculations about the positive consequences of greater information are fascinating (even if empirical demonstrations of such benefits are scarce). But they obscure considerations of relative power capabilities, which draw attention to how the payoff matrix was structured in the first place, how the available options are constrained, who can play the game, and, ultimately, who wins and who loses.

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SOME CONSEQUENCES OF GIANTISM
The Case of India

By JOHN P. LEWIS

MANY interpretations of India's development experience pay insufficient regard to its size. Diplomats in their formal dealings pretend to be blind to country size. As far as they are concerned, all nations are juridical peers. And economists are almost as bad. They tend to think in terms of ratios and relatives and thereby downplay the effects of country size.[1] Thus, we often speak as if two economies with similar incomes per capita, saving rates, and rates of population and income growth are much the same—even when one is a hundred times the size of the other. They are not, of course. And the difference between the big and little systems is not simply one of calibration. They differ qualitatively precisely because not all of their salient characteristics are proportionate. Some, obviously, are. For example, families, farms, and even factories do not tend, averagely, to be much larger in big countries; the numbers of these entities are, indeed, more or less proportionate to country size. But consider these countercases: the number of a big country's top politico-administrative leaders is a smaller fraction of its population than in a less populous country; the large country's market is proportionate to its size but, thanks to its scale, is qualitatively different; its human resources situation is in some respects qualitatively different

[1] An early conference of the International Economic Association (in Lisbon, 1957) yielded a volume of papers edited by Edward Austin Gossage Robinson, *Economic Consequences of the Size of Nations* (London: Macmillan, 1960). There was thereafter little of a generalized character about national size in the economic literature until Hollis Chenery and Moises Syrquin, *Patterns of Development* (New York: Oxford University Press, 1975); and Mieko Nishimizu and Sherman Robinson, "Trade Policies and Productivity Change in Semi-Industrialized Countries," *Journal of Development Economics* 16 (September–October 1984), 177–206. Meanwhile, however, the literature that focused on the small economy, dating from the Kuznets paper in the Robinson volume above and from William Demas, *The Economics of Development in Small Countries* (Montreal: McGill University Press, 1965), has expanded to include, among others, C. Real de Azua, "Small Nations and the 'Constructive' Style of Development," *CEPAL Review*, 2d semester, 1977, pp. 153–73; Bimal Jalan, ed., *Problems and Policies of Small Economies* (London: Croom Helm, 1982); Vincente Galbis, "Ministate Economies: Underlying Characteristics and Macroeconomic Policies," *Finance and Development* 21 (June 1984), 36–39; T. N. Srinivasan, "The Costs and Benefits of Being a Small, Remote, Island, Landlocked, or Ministate Economy," *World Bank Research Observer* 1 (July 1986), 205–18; and DeLisle Worrell, *Small Island Economies: Structure and Performance in the English-Speaking Carribbean since 1970* (New York: Praeger, 1987).

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from that of a smaller country; and so are elements of its external economic and political relations.

Size effects of the sort just mentioned—on (1) the management of the economic system, (2) human resources matters, and (3) the economy's external relations—are ones this paper seeks to examine in the case of India. First, it may be well to address explicitly the question of size criteria. This is an issue that has been debated considerably in the small literature on country size—especially, small country size.[2] There is an inherent ambiguity about whether countries are pieces of geography or populations of people. A continent is clearly the former, a city, obviously the latter. A nation can be thought of either way, and, further, if it is viewed as a market, size can be said to be a function not just of population but of income per capita. Thus, among national markets, the U.S. is still much the largest.

All of this would be of greater concern if the present piece were primarily a *comparison* of giants. Primarily, it is a discussion of one big country, India, that is large by any standard. Most obviously, India is large because of its population. Indeed, population seems the dominant measure of national size: nations are most of all collections of people, not pieces of real estate. Planting a national flag over Antarctica would not add that desolate expanse to the world's handful of giant countries.

Accordingly, to the limited extent the following discussion *is* comparative, the identification of "giants" is simply demographic—and arbitrary. They are the four countries in the world with populations in excess of 250 million, that is, in descending order, China, India, the Soviet Union, and the United States. At the same time, because of the income component in market size, it is often best to consider the relation between population size and market size to be a stratified affair; it can be examined in any set of different-sized countries with similar per capita incomes.

I. System Management: Coping with Giantism

The pivotal hypothesis of the present analysis is remarkably simple. It is that a giant system like India's has an inherent, inbuilt tendency to be

[2] Cf. Peter J. Lloyd, *International Trade Problems of Small Countries* (Durham, N.C.: Duke University Press, 1968); Nadim G. Khalif, "Country Size and Trade Concentration," *Journal of Development Studies* 11 (October 1974), 81–85; J. Jainarain, *Trade and Underdevelopment* (Washington, D.C.: Georgetown, Institute of Development, 1976); Jalan (fn. 1); Andrew S. Downes, "On the Statistical Measurement of Smallness: A Principal Component," *Social and Economic Studies* 37 (September 1988), 75–96; and Harold Codrington, "Country Size and Taxation in Developing Countries," *Journal of Development Studies* 25 (July 1989), 508–20.

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cumbersome. The basic reasons are, first, that most organizations and the activities in which they engage are structured hierarchically and second, that managers tend to have the limited horizontal reach encapsulated in the administrative concept "span of control."

There is a cluster of neoclassical economic writings premised on an individualistic, atomistic state of nature that undertakes to explain why it is rational for a work force (taking account of differential skills, etc.) to organize itself hierarchically.[3] Other social scientists, being of the view that command systems are about as old as the species, scarcely need such a demonstration. The command structure may be of limited scope, and, as in feudal Europe, its writ may not effectively reach the edges of its nominal territory. But historically the natural mode of human organization has been hierarchical; the responsibilities (whatever the capacities) of political authority have been almost unlimited; and free markets and democratic modes of governance have had, quite laboriously, to be carved out within the primordial envelope of command structures.

The other factor contributing to the managerial predicament of giant systems is the simple point about span of control—or what is called "span of attention" by administrative theorists of a psychological bent. The literature on this point is thin.[4] Although it seems intuitively clear that there is a narrow limit to the number of subordinates a boss can effectively boss, most authors have been reluctant to suggest precisely what this number is. The span of control varies with the work being done (a drill sergeant can supervise a whole platoon) and the particularities of a production structure (under quite stylized circumstances a symphony orchestra conductor can manage one hundred musicians directly and effectively).

There is some scope, moreover, for stretching an executive's manage-

[3] Cf. Herbert A. Simon, "The Compensation of Executives," *Sociometry* 20 (March 1957), 32–35; Thomas Mayer, "The Distribution of Abilities and Earnings," *Review of Economics and Statistics* 42 (May 1960), 188–95; Oliver E. Williamson, "Hierarchical Control and Optimum Firm Size," *Journal of Political Economy* 75 (April 1967), 123–38; G. A. Calvo and S. Wellisz, "Supervision, Loss of Control and the Optimum Size of the Firm," *Journal of Political Economy* 56 (October 1978), 943–52; idem, "Hierarchy, Ability and Income Distribution," *Journal of Political Economy* 87 (October 1979), 991–1010; Sherwin Rosen, "Authority, Control and the Distribution of Earnings," *Bell Journal of Economics* 13 (Autumn 1982), 311–23; Raj Kumar Sah and Joseph E. Stiglitz, "The Theory of Economic Organizations: Human Fallibility and Economic Organization." *American Economic Review* 75 (May 1985), 292–97.

[4] According to Lyndall Urwick (who drew on Henri Fayol, the French pioneer in administrative theory, and who collaborated with Luther Gulick in putting out in 1937 *Papers on the Science of Administration* as a contribution to the study of reform of the U.S. presidency in which Gulick was engaged), "No supervisor can supervise directly the work of more than five, or at most, six subordinates whose work interlocks; Urwick," *Elements of Administration* (New York: Harper, 1943), cited in Bertram M. Gross, *The Managing of Organizations* (Glencoe, Ill.: Free Press, 1964), 148.

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ment span through the use of assistants and technological reinforcements. But none of this disturbs the proposition that in each given organizational and programmatic context the average number of subordinates that superiors can effectively supervise is finite and small. Further, there is little evidence that these manageable limits of supervision are much larger in big systems than in little ones.

The result is inescapable: large systems have more bureaucratic layers. They also have wider hierarchies. Even if spans of control are uniform, there are more vertical chains of command and communication that invite coordination as one adds lower levels to the pyramid and views it cross-sectionally. Moreover, there is incentive in the giant system to contain the layering, which leads to a broadening of average managerial spans and therefore widens the bureaucratic structure still more.

Bertram Gross, in his monumental work, *The Managing of Organizations*, remarks, "I have found very few organizations with 10—and none with more than 12—hierarchical levels (as contrasted with the much greater number of levels often found on salary scales)."[5] However, the number of people Gross has in mind refers simply to those within the organization itself. Thus (using Urwick's control span of 6), he notes that a mere nine tiers can encompass a work force of two million. For a discrete institution—say, an automobile manufacturer or a foreign affairs ministry spread worldwide—that already sounds very large, and, as remarked already, most discrete organizations (that is, families, farms, and so forth) are not much larger in big countries than they are in small ones. There *are* a few instances where the in-house scale of an institution does tend to be proportionate to national size. One obvious case is the army (although the cross-country fit of this generalization will not be very close), and here a bigger military, whether of one country over another, or in the same country over time, typically means more layers. This presumably was the reason for the creation of five-star U.S. generals and admirals in World War II; naval personnel, for example, increased twelvefold.

The more important point that Gross's reflection seems to miss, however, is that many public bureaucracies—agricultural extension services, postal services, tax-collecting agencies, welfare systems, public schools—do business with citizen clienteles. These clienteles in India are ten times as large as in a country of eighty million and a hundred times those of a state of eight million. Therefore, unless teacher-pupil ratios and the other comparable ratios at the business end of these service and delivery

[5] Gross (fn. 4), 375.

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systems are notably larger in India than in smaller countries, India has an extra bureaucratic layer or two—as well as, by the same token, a broader horizontal span of hierarchy.

The final point for establishing the system-management problem with which giantism must cope is that "another layer or two" of bureaucratic layering is no small thing. Extra layers inevitably impede operational communications—and, therefore, operations themselves. Extra layering garbles, distorts, delays, and loses commands, responses, and other messages being passed up and down the hierarchy, as well as laterally across it. The operations of giant high-rise bureaucratic pyramids have an inherent disposition to be sluggish and clumsy.

Furthermore, using Gross's arithmetic and assuming a span of control of as high as 10 at the lower levels of our hierarchy: to add, say, a tenth and eleventh level to the bureaucracy in order to go from a country of 8 million to one of 800 million one does not merely add (arithmetically) 10 or 20 percent to the noise and static in the system. There is an exponential increase, as distortions, gaps, delays, and misunderstandings are compounded up and down the line and horizontally as well.

There is room for far more empirical research into these matters of organizational architecture, as well as for efforts to collate the several folklores concerning hierarchy and authority spans that pertain in different kinds of institutions—religious, educational, corporate, military, governmental, and other. Meanwhile, however, the proposition that public bureaucracies serving giant clienteles tend to be cumbersome seems to be nearly self-evident. Most leaders of the giant bureaucracies are aware of the problem and seek ways to cope with it. The Indian case can be so interpreted; and although the matter will not be pursued here, recent commentary extends the same perspective to the other three giants, China, the USSR, and the U.S.

However political and bureaucratic leaders try to temporize with the awkwardness of giantism, there are only two real strategies for coping with it. One is to decentralize by delegating (insofar as this consistent with the system's collective purposes) categories of decision making to lower levels of the hierarchy. The other can be called sideways delegation: governments cannot escape their ultimate responsibilities; but within sectors for which they are responsible they sometimes can find labor-saving devices, that is, largely self-adjusting servomechanisms that can generate streams of socially acceptable decisions without requiring continuing day-to-day intervention by officials. The most familiar and important such mechanisms are markets populated by many buyers and many sellers, each with considerable operating discretion. But some

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other collectives and networks of nonofficial institutions are perceived to have similar servomechanical properties.

Decentralization—in General and in India

In important respects decentralization runs against the human grain. Political and bureaucratic leaders on average have a revealed preference for power; they tend to share it only grudgingly. And many of them value the rents that come their way and the way of their in-groups in the course of centralized decision making. These related motivations have inhibited decentralization in India, as we shall note.

Nevertheless, it is also human to wish to reduce one's workload when this can be done without much sacrifice of prestige or emoluments. Thus, leaders' self-serving preferences as to decentralization are offsetting. There is room for coping strategies motivated by what the leaders perceive to be the public interest.

It is recognized that the downward delegation of decision making in a hierarchy (or outward delegation in center-periphery terms) must avoid unacceptable losses of coherence. Thus, national leaders are committed to a set of national goals. The latter, which may be comparatively few, exist alongside all the limited goals being pursued within the system at personal, household, enterprise, local, and subnational regional levels. The local goals should not be, and typically are not, inconsistent with the national ones, but the same could be said of many alternative micro purposes and efforts. Further, certain subnational efforts demanded by the national objectives should be made, and quarrels and differences between units of the hierarchy, including those arrayed in parallel, should not be counterproductive.[6]

Within these constraints, there are two principal substrategies for safe decentralization.[7] One is that of indoctrination. Most bureaucracies engage in some of this. Officers down the line are trained and conditioned to act, indeed, to think, in the mode of a particular company, service, agency, church, or government. There are cases of superindoctrination that rely almost entirely on this approach. Before the day of electronic communications, this had to be the way in which naval establishments achieved desired and predictable performance from their commanders

[6] Not all internal differences, even conflicts, are to be avoided. Competition among collateral units is usually healthy, and many systems place little premium on lockstep conformity.

[7] The constraints do not apply to a third case, where the performance of the center's objectives is not measurable. Thus, for example, if the sole purpose of an organization is to save souls, the implementation of the activity can be radically decentralized. But if the success of joint efforts is subject to common observation, those in whom responsibility for the common effort is centered must limit themselves to some combination of the two alternatives in the text.

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at sea. Similarly, before World War I the officer personnel of the imperial German army, more particularly of the general staff, were selected and indoctrinated to become intellectually interchangeable with any other member of the staff—to the point that a junior staff officer could change his superior's order (because of the junior's better on-the-scene information) and then, on behalf of his superior, give orders to a field commander of higher rank than himself, which the latter was obligated to obey.[8]

It is worth noting, for reference below, that decentralization via indoctrination tends almost inherently to be elitist. It involves the creation of a special service of agents, individuals who can be entrusted to do the will of the center. In most bureaucratic instances, however, indoctrination is only a supporting strategy. The main decentralization scenario is one that was articulated for India by two economists, D. R. Gadgil and Sukhamoy Chakravarty, who in 1972 succeeded each other as members of the national Planning Commission and, in succession, took an interest in promoting a proper system of "multilevel planning." Clearly, they said, there needed to be more downward delegation in official economic decision making, and there was no virtue in uniformity for uniformity's sake. If, on the one hand, a decision concerning a local matter made little difference to neighboring jurisdictions or levels above, let it be settled locally. If, on the other hand, local activity could contribute to goals being sought up the line (say, a local choice to grow grain rather than fiber would help the country's drive for food self-sufficiency) or if local activities could have significant negative or positive effects externally (for example, on the rest of a watershed lying beyond this locality), the decision should be escalated to the first higher level within which it would fit without spilling significant externalities outside.[9]

Although prodecentralization doctrine of this sort has found official favor in India for some time, its implementation has nonetheless been hesitant and halting. This has been true of both zones—macro and micro—into which questions of downward delegation divide.

Like the other demographic giants, India has broken its official hierarchy into two overlapping levels—"Centre" and, in its case, states (in

[8] *Encyclopaedia Britannica*, 13th ed. (1926), s.v. "Staff." (The first 28 volumes of this edition were identical to the 11th edition of 1910–11; three supplementary volumes were added to cover the period 1910–26.)

[9] A reader of an earlier draft of this paper objected that the rule in the text does not cover the case of a national government that may appropriately, as a matter of policy, wish to retain control over a local activity (say a toxic one) even if it imposes no burdens or benefits beyond the local jurisdiction. I would argue that the bad precedent or damage to the national body politic that the denial of local option would forestall does indeed fall into the category of negative externalities—as could the abandonment of various national cosmetic uniformities that orderly centrists might value.

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China, provinces, in the Soviet Union, republics, in the U.S., states). India's federalism, like America's, is formalized in its constitution. The states have a measure of autonomy. Questions of macro delegation concern the allocation of authority and duties between Centre and states.

Here the situation can be summarized fairly quickly. The states' constitutional autonomy is real but very limited; the Centre has greater opportunity than in most federal systems to dismiss state governments, and it has exercised the power repeatedly. Partly through the mechanism of five-year planning the Centre's interventions in economic policy have extended regularly and heavily into such "state subjects" as agriculture; and the states have been overwhelmingly financially dependent on the Centre, especially for public investment and other developmental outlays.

Yet it would be a mistake to see the Indian states of the 1960s as pawns or ciphers. Interest groups arrayed themselves at the state level. State legislation was consequential. States balkanized the food map; and they battled fiercely over such things as public sector factory locations. What kept Centre-state relations in reasonable balance during the first twenty years of independence was the unbroken hegemony of the Congress Party, not only nationally, but in most of the states, and the fact that there was Centre-state balance in the party itself, the governing councils of which were dominated by independently powerful regional chieftains.

Things changed from the late sixties onward: non-Congress, including regional-party, governments became commonplace at the state level. In the Congress power and finance (including, by common perception, illicit finance) were visibly concentrated at the Centre around the person of the prime minister, who conducted an authoritarian experiment between 1975 and 1977 that further agitated politics within the states. Corruption became more visible in several states, as did ethnic conflict and state chauvinism. At the same time, the diverse economic fortunes of the different states probably augmented welfare disparities between states that had been accruing since independence. More recently, moves toward economic liberalization have made more feasible the disaggregation of some governmental economic policies and operations. This together with the greater salience of regional parties and politics made manifest in the election of 1989 may well augur a greater devolution of economic decision to the states—with both a promise of faster overall growth and a risk of aggravated balkanization.

Meanwhile within modern India the more pervasive, if less conspicuous, centralization-decentralization issue has been the micro one, carried over from British times: *Within* states how much decision making should

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be made locally? And by whom—the locals or resident representatives of the Raj? Before and after independence the Indian administration opted for the superindoctrination solution. The country was governed with a remarkably thin civilian officer corps that, although composed of state cadres, was an elite all-India service whose governance extended all the way down to the subdistrict level. Before independence the Indian Civil Service was progressively Indianized; following independence the Indian Administrative Service continued in the same frame. It placed remarkable discretion in the hands of thirty-year-old district "collectors" (or magistrates or administrators), who, having been carefully selected and trained, were trusted to make the same decisions their superiors would have made had they been there. By the same token the system placed precious little authority in the hands of local leaders and electors.

As representative democracy developed at the state level, members of (state) legislative assemblies in a number of states exercised considerable influence in their resident areas and, in effect, forced the incumbent IAS officials to share power with them. But neither of these elements had great appetite for local self-government. Effective partisanship for the latter, as, indeed, for decentralization in general, tended to come (sparingly) from a few publicly interested national and state leaders. Thus, at the end of the 1950s, prodded by official reviews that found the participatory aspects of the Community Development Movement inadequate, Nehru sponsored the establishment of the reforms and structures of *panchayati raj*.[10]

But in the early years these were taken up in a serious way only in two states, Gujarat and Maharastra. During the later sixties and the seventies a number of states stopped holding local panchayat elections altogether. More recently, there has been renewed and vigorous experimentation with local self-government in some states, notably West Bengal and Karnataka, and as of mid-1990 the disposition of the postelection Union Planning Commission indicated a possibility of new momentum for microdecentralization.[11]

[10] *Panchayati raj* means literally "government by local councils." The recommendations were those of the Balwantrai Mehta Committee in 1958, which proposed a three-tier local government structure—village panchayats, panchayat samatis (societies of panchayats) at the block level, and district zilla parishads (district committees). See, for example, Marcus Franda, *Small Is Politics: Organizational Alternatives in India's Rural Development* (New Delhi: Wiley Eastern, 1979), chap. 4.

[11] While this is not the place to review the extensive literature that has developed over matters of local institutional reform in India, let me note two of my own writings on the subject: "Notes of a Rural Area Development Tourist," *Economic and Political Weekly*, June 29, 1974, pp. A42–54; and "Overview" in John P. Lewis, ed., *Strengthening the Poor: What Have We Learned?* Overseas Development Council Policy Perspectives No. 10 (New Brunswick: Transaction Books, 1988).

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It is not surprising that in India an augmented interest in decentralization translated immediately into a concern for decentralized, that is, "multilevel," planning. As with the movement toward downward delegation of official decision making generally, there has been some tendency to confuse cosmetic with genuine planning at the local level. Many instances of so-called district planning, for example, have been done, not by planners who belong to the districts, but by professionals of the state planning agency deputized to plan *for* the district. Similarly, efforts to staff local planning undertakings with appropriately trained locals have been spotty. At the same time conceptions of how extensive and sophisticated local planning exercises need to be often get greatly exaggerated. There is no need for "mini-macro" planning of the same scope and complexity as that which the Union Planning Commission does nationally. What is needed is some sensible short- and medium-term expenditure budgeting for those public sector activities that local authorities are competent to undertake, together with a plan for their financing (including projections of grants in aid from higher authorities) as well as a plan for the selective development of market-town type, rural-urban centers.[12]

Markets and Other Servomechanisms

Markets enter our story both defensively (as instruments of sideways delegation, taking some of the burden off public bureaucracies) and positively (bigger markets are often alleged to be better ones). The case for a positive size gradient in other nonofficial servomechanisms (for example, cooperatives and private education networks) is less clear, but they too can share the bureaucratic burden.

In the 1960s many inside as well as outside the government of India began to wonder whether much of the detailed economic decision making that government functionaries had been doing directly (for example, allocating imports, choosing investments, and setting input and output prices) would not be better left to the various markets. The latter could be allowed to adjust themselves competitively within an environment set

[12] For an elaboration of the local-planning points, see Lewis (fn. 11, 1974); also V. M. Rao, "Decentralised Planning: Priority Economic Issues," *Economic and Political Weekly* 24, no. 25, June 24, 1989, pp. 1399–1405. On the spatial aspects of decentralized development, potentials for selective small-town development are examined in John P. Lewis, *Quiet Crisis in India* (Washington: Brookings, 1962), chap. 7; and E. A. J. Johnson, *The Organization of Space in Developing Countries* (Cambridge: Harvard University Press, 1970). The fear of metropolitan bloat expressed in these early works has been found to be exaggerated by Rakesh Mohan and Chandrasekhar Pant, "Morphology of Urbanization in India: Some Results from the 1981 Census," *Economic and Political Weekly*, September 8, 1982, pp. 1534–40, and September 15, 1982, pp. 1579–88.

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by broad commercial, monetary, and fiscal policies and framed by government regulations designed to permit as much freedom to transactors as was consistent with the avoidance of cheating and unreasonable exercises of market power. Then and much of the time since, the tilt of official opinion in India, like the views of such multilateral agencies as the International Monetary Fund (IMF) and the World Bank, has been toward such economic liberalization. Many prefer to hoard their power and rents and therefore resist such a policy agenda, but even so it is widely agreed that freer, albeit bounded, markets can improve the efficiency of the system. While liberalization does not promise to yield equitable distributions of rewards among individuals, classes, sectors, and regions, such reform can at least eliminate some of the inequities generated by the control systems it displaces. As to redistribution, liberalization can be supplemented by fiscal policy and by direct attacks on poverty, including transfers to the poor of such assets as land and, by means of education and training, new human capital; all of these measures can be undergirded by strategies seeking to empower the poor politically.

Markets are the principal but not the only systems that can run themselves in benign ways without constant government steering. Elaborate arrays of private schools or other educational establishments often conduct and finance themselves without extensive public funding or control. The same is true of many private health institutions and programs. Systems of cooperatives can be, and in some Indian cases have been, useful, largely self-managed supplements to the private and public sectors between which they stand. Networks of private philanthropies and nongovernmental nonprofit organizations can provide interesting and valuable augmentation and/or substitution for a variety of public programs. Many professions largely regulate themselves.

It would be difficult to establish that giant economies have had more resort than medium or small ones to these various servomechanisms. But, according to the present reasoning, their *need* for sideways delegation is unsurpassed.

Development economists have asserted that a bigger national market is also better and that this is the principal advantage of large national size. They have recognized that in a large country the obstacles to internal integration that are interposed, in part, by the terrain and the costs of internal communications may leave the potential of the "national market" unrealized. Yet the national frontiers are the ones that establish the limits of the main regulatory regimes that order transactions. They delineate currency and financial regimes, and they commonly raise tariff

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and other obstacles to transactions across the frontiers. In short, national markets are consequential, and there is a commonly held view that their size and quality are positively related:

> —Large national markets are characterized by a greater and finer division of labor (more specialization) and therefore by greater gains from (internal) trade.
>
> —Insofar as development entails the introduction of new productive processes and products into poor countries, processes enjoying economies of scale and depending on internal demand can fit earlier into a large poor national market than into a small poor market.
>
> —Thus, where there are economies of scale, large markets can accommodate a proliferation of efficient-size firms and thereby gain the benefits of internal competition sooner than small markets can.
>
> —If the constraint on the introduction of a new lumpy investment is the availability of savings, and one imagines a large country and a small one with equally good financial intermediaries, those in the large country should be able to skim the needed absolute capital from a thin flow of savings sooner than their smaller counterparts.

To be sure, there are major challenges to the linkage of national size and market quality. First, a good neoclassical economist[13] will argue that a small economy can enjoy all the alleged advantages of a large domestic market if it simply has access to an open international market. There can be specialization and division of labor across frontiers. Hence, new capacities suited to the comparative advantages of the smaller economy do not need to "fit" within the internal market, and the discipline of competition can come from abroad as well if there are no protectionist obstructions. So can the savings for lumpy investments that genuinely promise to be rewarding.

There is the practical point that it is hard for the giant economy (which, as will be explained, is altogether likely to have a low ratio of external trade to economic activity) to turn inward without becoming insular. In a large continental, domestically oriented national system, the allocation of the nervous energies of leaders and entrepreneurs to external economic matters tends to be meager. Given their preoccupations with the spacious internal market, it is hard to gear up external marketing, including the design of products for the export market, to world-class standing. As in the United States, the intensity of the outreach remains inferior on average to that of the Koreas, Taiwans, Japans, and Germanys—and, in the last century, the U.K.'s—of this world.[14]

[13] The following is the gist of Srinivasan (fn. 1).

[14] A related consideration is worth noting. For efficiency the giant system depends more than the small country on the discipline of *internal* competition. Thus, it is a mistake in India,

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The Indian record also suggests that giant size can increase the system's capacity for making mistakes. India typically is pilloried for the extent to which, in the fifties, it chose the path of self-reliant, export-pessimistic, import-substituting, capital-intensive development. But that India led the way along this path was not because P. C. Mahalanobis had a unique ability to misguide.[15] Nearly all the non-Marxist new states of that period were similarly disposed; India simply went farther than the others because its size made balanced-growth, import-substitution choices more plausible.

A final challenge to the linkage of large economy and market quality concerns technological dynamism, and it is a worrisome one. While the efficiency of the Indian system can and should be entrusted mainly to vigorous internal competition, this may not be enough to ensure that the country becomes as technically progressive as the government and the public desire. Ideally, because of its factor proportions, India needs different (in particular, more capital-saving, labor-using) brands of technology than those most prevalent in much of the world. There is thus great need for indigenous R & D that is innovative as well as adaptive. As will be noted, India already has large cadres of scientific and technical personnel, but these are not yet, in the aggregate, very effectively engaged in the generation of relevant, total-factor-productivity enhancing R & D results. There are moves afoot, however, to invest more effort and resources in indigenous innovation.

In one sense, though, India's technological needs can probably never be met wholly from internal sources, at least not in the longish medium term. Despite the current inappropriateness for India of much of what is going on in global R & D, Indian R & D needs to remain constantly and closely tapped into the world's global centers of research and innovation. But this is difficult for a giant inward-turned system that is still in a fairly early stage of economic development. To do it easily, the giant poor country would need to draw some of these current wellsprings of global research and applied research into itself—and that is almost impossible. Among the giant countries, the United States was uniquely fortunate in this regard. Even in its early stages of development it was never poor in the sense of income per capita. It was the recipient of not only the largest but also the most talented brain drain in the world's history—which, of

as it is in the United States (the opposite cases could be Taiwan and the Netherlands), to regard antitrust policy, or procompetition regulation, as a form of interference with market outcomes that a proper liberalization program should scrap, along with other forms of trade, investment, and price control.

[15] Mahalanobis was the principal designer of India's Second Five-Year Plan, 1956–61.

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course, continues, in part from India. Thus the U.S. had the best of both alternatives: it could look inward technologically and still be on the innovative and intellectual frontiers. It quickly became the center of global innovative activity (although the claim now is being challenged by Japan and others), with the periphery having to come to it.

India has no real chance of following this model. If it nevertheless follows the instincts of a giant—giantism makes chauvinism more plausible—it is likely to become a huge, rather backward, somewhat second-rate, but quite self-reliant recluse. There are some symptoms of this. One thinks, for example, of the din over the years that the indigenous fertilizer research unit at Sindri has been putting up against successive foreign technological encroachments. While recognizing the excellence of many Indian scientists and engineers, one considers what large fractions of India's vaunted armies of technical personnel are in fact poorly trained because the many educational and training institutions are ill equipped to cope with the demands for instruction and credentialing being placed upon them. One remembers ministers throwing up their hands over the impossibility of keeping up with the pace at which various global technological developments were moving. One thinks, indeed, of the Hindustan Ambassador automobile. Surely there is no other country in the world, at least no pluralistic one, in which an already retired Morris Oxford of the 1950s could, as the joint product of government policy and consumer stoicism, have remained the dominant passenger car model for three decades. There is much in this particular symbol that is attractive—some asceticism and the self-confidence of a system large enough to set its own norms. But it is not the mark of a country bent on technological dynamism.

The short of it is that if India does not wish to remain a soft, technically lagging economy, it must promote technological intercourse with the rest of the world. Partly this can be achieved by continued movement of people and ideas. But a good part of it requires imports of products. Even if vigorous internal competition can do most of the proefficiency disciplining in a giant market, competition from imports is needed for technological invigoration. Plainly, moreover, if more imports are to be consistent with progress toward financial self-reliance, an increase in imports will require more successful expansion of exports. Here is one of the places where policy must try hardest to override the natural gaiting of a giant pluralistic system.

Another carrier of technological interchange, however, can be foreign investment, especially direct investment by foreign enterprises, and here the giant host country has certain natural advantages if its policies do not

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suppress them. First, the giant host has less to fear; the danger of its being dominated by any multinational company or cluster of multinationals is far less than it is for a little country. Second, its internal market, compared with those of smaller countries of the same income level, is of greater inherent interest to foreign investors.

Markets: Some Conclusions

The national market of the giant economy can be a net resource if it is safeguarded. The neoclassical alternative of a completely open international market is simply not available. The dangers and disadvantages of a giant internal market are subject to domestic policy correction. Thus, the next market consequences of large size should be positive—if Indian governments in the years ahead can adopt policies for pushing exports somewhat more effectively than would be the collective inward-looking inclination of local entrepreneurs left to their own devices; if future governments also can exploit the system's potential for attracting constructive foreign investments; and if government can sustain an efficient regime of procompetition policy in the internal market.

Contrary to such a prescription, Indian governments at all levels have a long history of shooting themselves in the foot. It has been their custom to obstruct the internal market. This is the effect of every octroi that local jurisdictions assess on goods traffic to and through their territories. Lately some of the states have been trying to block or discourage the inmigration of certain categories of the nation's citizens and/or residents. Best known and perhaps most distorting are the various barriers, including food zones, that have been erected to food trade, sometimes at the instance of states or of state politicians but always at least through the sufferance of the Centre.

There is no way a balkanized internal market can reap the benefits of large national size. Internal obstructions are not necessarily inane. The octrois might make sense if no other tax base were available, and, in the era of famines when the ultimate responsibility of a provincial government was to assure food supplies for its people, restrictions on food movements were a means to that end. Nevertheless, such barriers inevitably impair the efficiency and dampen the growth of the national economy.

II. Human Resources Dimensions

Big countries often are alleged to be peculiarly burdened with human resources problems that in fact are no more than proportionate to their

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size. Thus, although China and India are spoken of as if they have a corner on "the" population problem (that is, the population-growth problem), population growth in those two regions actually poses no more of a problem than it would if they were both subdivided into their component provinces. Plainly, India, with an annual population growth of little more than 2 percent, not to speak of China, with a rate closer to 1 percent, does not face nearly the demographic threat that 4 percent growth poses for Kenya.

Similarly, although Arthur Lewis says he had India in mind when he wrote "Economic Development with Unlimited Supplies of Labour,"[16] labor redundancy is not a function of total population or size of the labor force; it reflects an abundance of labor relative to other productive factors, particularly capital. Thus, in South Asia, India may not fit the Lewis paradigm as well as does Bangladesh with only one-seventh the population or even Nepal with only one-fiftieth as many people.

Personnel: Training and Critical Mass

But then, as to human resources, where *do* the proportionalities break down? For one thing, there are instances (notably with respect to raising armies) where the absolute number of persons a government can mobilize is important. There are also instances where the larger country's recruitment of key personnel can be more selective. If one assumes that (1) talent is randomly dispersed through all populations, (2) a system is able to attract some of its best talent to political-administrative careers, and (3) its selection procedures are such that it in fact chooses the best and brightest applicants, then, theoretically (if these assumptions fitted India), incumbents in the country's upper political-administrative echelons would be more gifted on average than those in a small country.

That specific proposition need not be pressed very seriously. But its principle—that if one is seeking an absolute number of personnel, the average quality of the complement that can be skimmed from a large population with a normal distribution of talent usually exceeds what can be skimmed from a smaller population—is persuasive. So are certain size-related assertions that can be made about training: experience worldwide makes it quite clear that training programs for elites are themselves best organized and conducted along elitist lines. At some middle if not early educational stage, the most promising candidates need to be gathered into selective centers of excellence. But a second

[16] This he says in conversation, not in the article itself, which appeared in "Economic Development with Unlimited Supplies of Labour," *Manchester School* 22, 21 (May 1954), 139–91.

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principle about training elites also is clear. The quality of training is in part a function of the size of the centers and their programs. Excessive size may diminish quality (although this is less clear if there is scaling up all around and the quality of the trainees is not diminished). But, very clearly, excessively *small* size is an enemy of quality. If programs have too few participants they may not be able to afford adequate laboratories and libraries or provide as specialized and subdivided a curriculum as state-of-the-art training requires. Larger student bodies tend to be more competitive. And even if the quality of individual faculty members and the faculty-student ratios remain constant, there is inherently more opportunity for interpersonal interchange—and more variety in the interchange—as the size of small programs increases.

If it is true that the best students in the best programs get a good part of their teaching from each other and if there is as well something to the high value commonly placed on the productivity of collegial interchange among researchers and teachers, then a training institution's potential for one-on-one interfaces is one of its major assets.[17] On this count sizable programs beat miniprograms hands down. Just as a giant country can accommodate a larger number of manufacturers of efficient scale in its domestic market, it can accommodate a larger and more diverse array of elite training establishments of minimum effective size. The experience of India in this regard compared with that of Bangladesh and Pakistan provides rough but robust support for this proposition.

Moreover, trade in this case is not as good a substitute for large size as it is in the case of commodities and other products. Indeed, in the absence of indigenous training for elites, smaller countries import the training; that is, they export the trainees. This probably increases the country's exposure to brain drain. Moreover, the smaller country getting more of its training abroad is also slower to form viable indigenous centers of excellence around which critical masses of expertise can gather.

The concept of critical masses of expertise deserves some attention. The numbers in a professional or paraprofessional cadre can be said to have reached a critical mass (regardless of whether some of the final training is still being done overseas) when the cadre has developed a distinct self-awareness and a credentialing process; when it is internally networked and has mechanisms for establishing superior professional status; when members have recognized specializations; when they are

[17] The number of potential one-on-one interfaces (N) among individual members of a group rises exponentially as the number of members of the group (a) rises. Specifically, $N = \frac{a\,(a-1)}{2}$.

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afforded a full professional life and are enlisting new recruits at least at a replacement rate; and when, in particular, members' net migration abroad has not, from the viewpoint of the nation's interest, become dysfunctional.

Such critical mass is much likelier to be obtained when numbers are large. A large cadre with a greater assortment of members is likelier to have one who can be, if not an interchangeable part, then at least a serviceable replacement for another pivotal member who departs. It has a much larger number of professional interfaces. And an absolute number of out-migrants is a smaller relative loss for a large cadre. Moreover, a large cadre has a better chance of generating and sustaining sufficient pioneering and ongoing professional activity at home to become a magnet for some fraction of the profession's numbers sojourning abroad.

The Indian economics profession is a case in point. In 1975 I participated in a comparative study of the development of economics in India, Pakistan, and Bangladesh.[18] At that time we determined that, of all the Pakistanis with overseas postgraduate degrees, more were then employed in the World Bank and IMF jointly than in all Pakistani universities. The profession in Bangladesh was being similarly decimated by emigration. In India, by comparison, brain drain was no problem—even though in absolute terms there was more of it and the quality of some of the emigrants was extraordinarily high. The emigrants were not really *that* much missed. Their achievements continued to be identified with India. They continued to visit. The production of new first-class Indian economists continued apace, both at home and overseas. Most of the key chairs in government and in the policy analysis and academic communities were occupied by able persons, and people kept returning from the World Bank and elsewhere to government and institute jobs at home, lured by the attractiveness of the work and colleagues and despite the financial disincentives.

Not all Indian professions and disciplines are so well positioned in these regards, but the condition is not uncommon. It would appear to extend, for example, to much of engineering, the natural sciences, and medicine. And where critical mass prevails, the disadvantages of brain drain may be greatly reduced. It still can be the case that, as the beneficiaries of publicly subsidized education, highly trained emigrants are the bearers of reverse foreign aid to such places as the United States. But this would be true also for a small exporting country and small exporting professions. Where there is a critical mass, the losses emigration imposes

[18] Prepared for the Ford Foundation, 1975.

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on the system are less. Indeed it is possible that the emigrants' remittances exceed what their social products at home would have been. Higher education is such a labor-intensive industry that it could be to India's continuing comparative advantage to export a considerable variety of trained professionals.

III. Giantism Internationally

The Propensity to Trade

It has been widely assumed that low ratios of international trade to national product in the demographic giants constitute clear evidence of wrongheaded, that is, excessively inward-oriented, policies. Indeed, in the past India probably overdid import substitution. But the lowness of its ratio of international trade (exports plus imports) to gross domestic product—the figure was 14 percent for both India and the United States in 1986[19]—can be attributed mainly to the size of the Indian economy.

This last makes a priori sense. Larger systems have greater diversities and scales of internal trade, and if smaller systems are joined together into a larger one, the latter is bound to have a lower trade-to-gross domestic product (GDP) ratio than do any of its components. Much of the components' previously external trade will now be internalized. Similarly, if the Punjab were unstitched from India, its ratio of trade to GDP would, by definition, be far higher than India's before the hypothetical partition.

The proposition that a country's propensity to trade is in part a function of national size also can be established empirically. The 1988 *World Development Report*'s basic tables provide merchandise trade and GDP data on 100 countries whose populations ranged in size in the early 1980s from about 1 million to China's 1,019 million. Their trade-to-GDP ratios varied from Singapore's 277 percent in 1986 to Burma's 11 percent. An inspection of the array suggests that the propensity to trade internationally tends, across the set, to be lowered by two factors: large population size and low per capita income.

Ten countries in the group of 100[20] had a population that exceeded 70 million in the early 1980s. Of these, four (India, the U.S., Brazil, and quite strikingly, Japan) had trade-to-GDP ratios of less than 20 percent.

[19] The estimates in this section are drawn from the merchandise trade and GDP series in the basic tables of the *World Development Report 1988*, published for the World Bank (New York: Oxford University Press, 1988).

[20] I have left out of the present set the high-income oil-exporting countries as well as those, such as the Soviet Union, for which the 1988 *World Development Report* does not provide trade and/or GDP estimates.

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China would have fallen into this group two years earlier, but in 1986 a downward revision of GDP estimates together with ballooned imports raised its trade ratio to 27 percent. Four of the other ten largest countries (Bangladesh, Nigeria, Pakistan, and Mexico) had trade ratios of less than 30 percent. The only one of the ten largest with a trade ratio above the 30 percent mark was Indonesia, with 38 percent.

The association of poverty with a low propensity for trading becomes evident when the 100 countries are grouped by income levels. The 2 by 2 matrices shown in Figure 1 are for four groupings: 25 low-income countries, 33 lower-middle-income countries, 23 upper-middle-income countries, and 19 industrialized market economies (the better-off members of the Organization for Economic Cooperation and Development). The partitions between the cells are the two just mentioned: a population of 70 million and a trade-to-GDP ratio of 30 percent.

Among countries other than the largest ten, it is apparent that the relative incidence of low trading propensities is much greater among the poorer countries. Standing this observation on its head, an advocate of outward orientation might well suggest that one reason for the poverty of poor countries is their weak articulation with the international market. As we have seen, the same point has some merit in the Indian case. Yet, decomposed along the present lines, the 100-country array of trading ratios makes the strong association between large national size and a low propensity to trade very clear.

Giant size does offer an opportunity for closer and earlier approach to national self-supply. At the same time, as noted, the giant must guard against the considerable risks of technological chauvinism—and, in that cause, struggle to export and welcome foreign investment a degree more ardently than would be its natural disposition.

Multilateral Governance and Foreign Aid

In a world defined by sovereign states, governments and their multilateral creatures tend, in their external relations, to address and count other governments, not people or other entities. This syndrome of counting flags rather than noses diminishes the representation of big countries in multilateral councils. The double-deck composition of the United Nations Security Council does give the United States, China, and the Soviet Union, along with France and Britain, a stronger voice in UN geopolitical deliberations. But in the General Assembly and in the (non–Bretton Woods) United Nations system generally the one-flag, one-vote rule prevails. It gives India, like the other giants, the same formal clout as the Seychelles. This bizarre allocation of political voice detracts from

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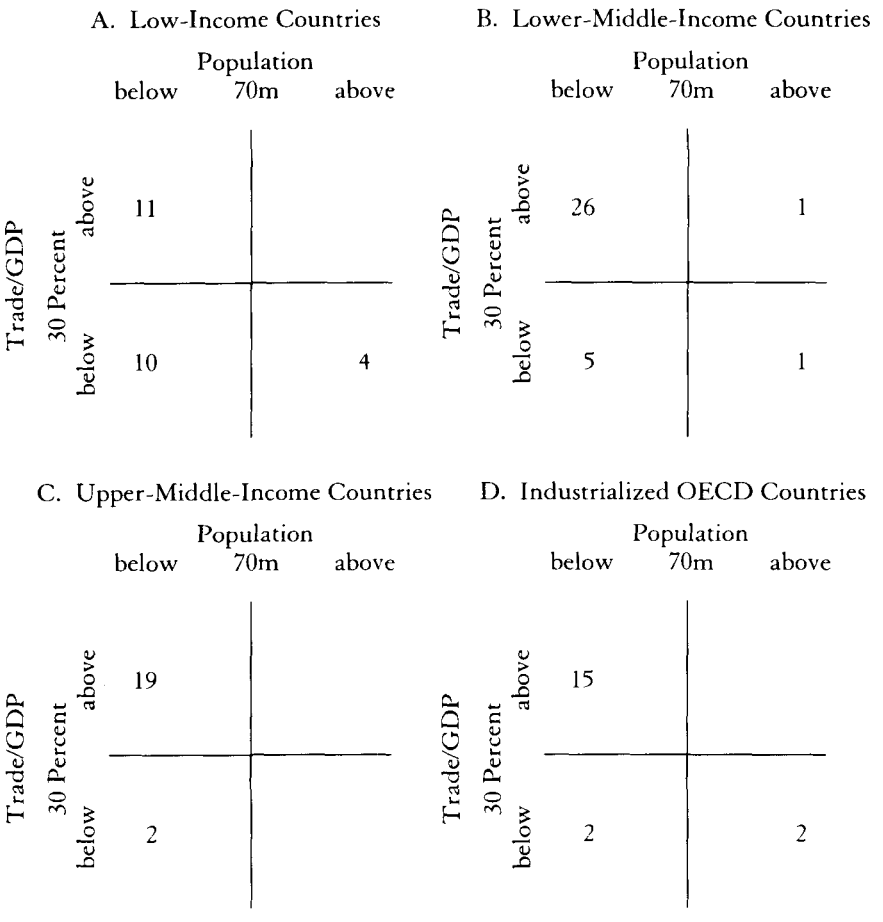

FIGURE 1
100 COUNTRIES IN 1987 GROUPED BY SIZE, INCOME, AND PROPENSITY TO TRADE[a]

SOURCE: The World Bank.

[a] Data and income-level classifications from the World Bank's *World Development Report 1988* (New York: Oxford University Press, 1988). "Trade" includes imports plus exports.

the seriousness with which the larger OECD countries and, especially, the United States view the United Nations and its constituent bodies. The same discount may not apply in the case of the two developing giants of Asia because of the strength of their identification with the North-South bargaining and debates conducted in UN forums. Nevertheless, measured against the one-man, one-vote norm now accepted within most

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nations, India's underrepresentation at the United Nations plainly is worse than that of the United States.

The Bretton Woods institutions and the regional development banks patterned after them are a different story. They weight voting systems approximately by countries' aggregate incomes. This is a more aggreeable arrangement for the larger OECD countries, and, indeed, it gives more formal representation to China and India than they have at the UN. China ranked number 7 and was the first developing country on the World Bank's list of real 1986 GDPs. India, following Spain and Brazil, was number 10. (The Soviet Union was not on the list.) Nevertheless, under the Bretton Woods dispensation the two Asian giants still fall far short of the votes they would have under representation weighted by population.

The other manifestation of the squeeze that the multilateral system—and in this case, also, programs of bilateral development assistance—place on the larger poor countries is financial. Aid agencies and development banks disburse their transfers, concessional and otherwise, through an array of country desks, country missions, and country programs. Invariably there is a tendency—even though factors besides country size obviously affect aid allocations—for little countries to get larger transfers per capita than big countries.

India is the case that proves this principle. From the very beginning of the post–World War II aid effort it has been the most consistently and seriously aided country. And yet in virtually any compilation of country aid receipts per capita during the past forty years India, because it is so much larger than other recipients, winds up at or near the bottom of the list.

IV. Summing Up

The present discussion has focused on the purely numerical—more particularly, the demographic—dimension of country size: What difference does it make to Indian development strategy and issues that the population is so large? Size also has another dimension: diversity. Exceptionally populous countries tend toward greater subregional (geographic, racial, ethnic, religious, linguistic) variety than other countries. Thus, all of the four 250-million-plus "giants" are, in fact, compound, multinational nation-states. It can be asked of each of them whether and how diversity complicates the maintenance of national cohesion. But that interesting question must be left for another time.

Meanwhile, as to the issue of scale, the Indian case does indeed support

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the hypothesis that giant economies march to a significantly different drummer. Their management structures incline toward a cumbersomeness that is embedded in the system's extra hierarchical layering. This handicap invites two kinds of coping.

Done with adequate concern for the protection of national goals, downward delegations of politico-administrative decision can quicken management reflexes, promote popular participation, and encourage pluralism and policy experimentation in the system generally. Downward delegation faces an uphill struggle in Indian local governance, however, because of the country's tradition of decentralization by indoctrination.

Where leaders and officials are enlightened enough to reduce direct controls and their attendant rents, greater reliance on the ordering of economic decisions by well-framed markets (as well as more scope for other servomechanisms) can enhance growth and productive efficiency. In giant systems efficiency is driven more by internal competition, and ratios of external trade to real income and output are inherently low. But this is no excuse for uncritical turning inward—the easiest trap for the giant to fall into, especially in an era in which it must export something extra to pay for the extra imports of technology-embodying goods it needs.

Its large numbers afford the giant a large pool of talent from which to draw a disproportionately small number of top leaders. Large numbers facilitate the training of elites and may inject the positive effects of critical mass into the development of professional cadres.

In the realm of multilateral governance and official transfers, a giant economy such as India is victimized by the "state is a state is a state" syndrome. But we should not weep too much for the Indians. If they did not, on balance, prefer their giantism, there would be a general movement in the country, not just to break off corners like Kashmir, but to dissolve the compound state into a dozen Thailands.

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ROOM TO MANEUVER IN THE MIDDLE

Local Elites, Political Action, and the State in India

by SUBRATA KUMAR MITRA*

INDIA'S remarkable political stability and high degree of participation have made her the odd one out among postcolonial states. The record of achievement is rather mixed in economic development, where slow but incremental growth is under considerable strain to keep pace with the growing expectations of a politically aware citizenry.[1] Yet even there, notwithstanding caste conflict and collective protest—*dharnas, boycotts, rasta roko*[2] and other forms of popular struggle that take after the Gandhian *satyagraha* of the 1920s—the basic stability of the state remains largely intact.[3] The legacy of public services, entrenched institutions before independence, and continuity of leadership have no doubt contributed to the stability of the postcolonial state.[4] Instead of dwelling

* A personal research grant from the Nuffield Foundation and comments from David Booth, Bruce Graham, Jack Hayward and four anonymous referees on an earlier draft of this paper are gratefully acknowledged.

[1] See Francine Frankel, *India's Political Economy, 1947–1977: The Gradual Revolution* (Delhi: Oxford University Press, 1978); Francine Frankel and M. S. A. Rao, *Dominance and State Power in India: Decline of a Social Order* (Delhi: Oxford University Press, 1989); and, for the political implications of poverty and redistribution in India, see Atul Kohli, *The State and Poverty in India* (Cambridge: Cambridge University Press, 1985).

[2] For a discussion of the scale and intensity of *gherao* (literally, to surround a decision maker) and its progeny—*rasta roko* (obstructing roads to disrupt traffic), *morcha* (militant procession), mass casual leave, *dharna* (refusal to clear an area when ordered to do so), etc.—see Robert Hardgrave and Stanley Kochanek, *India: Government and Politics in a Developing Nation* (New York: Harcourt, Brace, Jovanovich, 1986), 156; James Manor, "Collective Conflict in India," *Conflict Studies* 212 (London: The Centre for Security and Conflict Studies, 1988), 4. Geoffrey Moorhouse's *Calcutta: The City Revealed* (Harmondsworth: Penguin, 1974), 213–14, captures the form and spirit of *gherao* and its other variations, which are part of a new, authentically Indian genre of collective protest.

[3] With reference to secessionist violence in Punjab, three points should be noted. (1) The issue of legitimacy of the state in India continues to divide Sikh opinion; (2) though contested by terrorism, political participation continues to be perceived as the basis of legitimacy; and (3) the state still holds the upper hand in choosing its strategy in transactions with political actors. For the resilience of democracy in India, see Atul Kohli, ed., *India's Democracy: An Analysis of Changing State-Society Relations* (Princeton: Princeton University Press, 1988); and Myron Weiner, *The Indian Paradox: Essays in Indian Politics*, ed. Ashutosh Varshney (Delhi: Sage, 1989), who singles out the party as the key factor (p. 330).

[4] For a discussion of state formation in India, see Subrata Mitra, "Between Transaction and Transcendence: The State and the Institutionalisation of Power in India," in Subrata

World Politics 43 (April 1991), 390–413

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on these factors I shall explore the universe of India's local elites for its contribution to the growth and legitimation of the authority of the state. This article suggests that protest and participation are but two facets of the complex repertoire of political man.[5] Although conventional political theory has treated them as distinct and contradictory forms of action, the view proposed here suggests that, under certain conditions, collective protest and the normal channels of political participation may be complementary forms of action. Under those circumstances, a state linked to society through multiple channels of articulation can expect greater legitimacy than can others that, in a similar situation, treat participation and protest as strictly separate and that favor "normal" forms of participation to the exclusion of all types of protest having an element of coercion in them. In order to examine this general proposition, this article analyzes the perception of India's local elites to the range of alternatives open to them in their dealings with the developmental bureaucracy.[6]

Local elites (or *gaon ka neta* as they are generically called in rural India) are political actors, situated at the interface of the modern state and traditional society. They are engaged in a two-way interpretation of norms and political demands. Their methods include acting as brokers in national, regional, and local elections; lobbying and contacting the bureaucracy and higher political elites; and collective protest. Their "room to maneuver" is created when bureaucrats, political decision makers, and the law of the land accept the legitimacy of multiple modes of participation from below. This, in turn, contributes to the expansion of the social base of the state through the involvement of a broader range of citizens in the process of social change. The ability of local elites to draw newly emerging social forces into the political arena and the policy

Mitra, ed., *The Post-Colonial State in Asia: Dialectics of Politics and Culture* (Hemel Hempstead: Wheatsheaf, 1990).

[5] The findings reported in Joel D. Barkan and Frank Holmquist, "Peasant-State Relations and the Social Base of Self-help in Kenya," *World Politics* 41 (April 1989), 359–80, provide cross-cultural support for this conjecture. They present the "marriage of peasant and state in self-help" as a dynamic factor that has "imbued that system with a measure of legitimacy, and forced the Kenyan state to be minimally accountable to the public . . ." (pp. 361, 363).

[6] In a different context, Sidney Tarrow has drawn our attention to the political and social function of local elites: "Far from behaving like traditional local notables or acting merely as rubber-stamp administrators of programs initiated from above, local elites have become important actors in the political adaptation of their communities to social and economic change." However, the larger implications of their social and economic roles and the methods they employ to achieve their objectives have not been widely noticed, particularly in the context of developing countries. See Tarrow, *Between Center and Periphery: Grassroots Politicians in Italy and France* (New Haven and London: Yale University Press, 1977). Some studies of *panchayatiraj* in India have raised this problem at the empirical level. See Iqbal Narain et al., *Panchayati Raj Administration* (New Delhi: Indian Institute of Public Administration, 1970).

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process, and to exclude the traditional notables, has cast them as a conduit for the rapidly expanding postcolonial state.

Order, Development, and the Polarization Thesis

Some of these propositions are at variance with the earlier literature on conflict, protest, stability, and the strategies of development. Following the publication of Huntington's influential *Political Order in Changing Societies* (1968), the relationship between collective protest and legitimacy of state power has been considered to be generally negative.[7] On the basis of the findings of Hoselitz and Weiner,[8] Huntington suggested that rapid economic development in societies with inadequate institutional infrastructure can lead to violence, unrest, and loss of legitimacy. This theoretical linkage has been further reinforced by Gurr's notion of relative deprivation, which suggests precisely why discontent is felt most intensely in areas and among people experiencing rapid change.[9] These conjectures suggest a series of linkages among economic development, protest, and loss of legitimacy that can be specified in the form of a "polarization" model (Figure 1).

The assumptions and implications of the polarization model[10] have

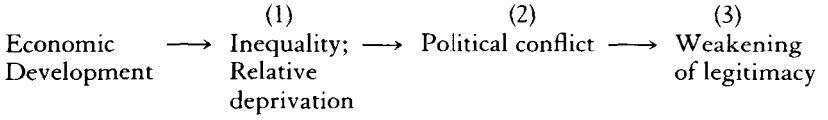

Figure 1
The "Polarization" Model

[7] This is the argument that runs through Samuel P. Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968). It has influenced a number of works on this problem. On antisystem party strength and cabinet instability, see Michael Taylor and V. M. Herman, "Party System and Party Government," *American Political Science Review* 65 (March 1971), 28–37. On Communist Party membership and political instability, see Douglas Hibbs, *Mass Political Violence* (New York: John Wiley, 1973); and, on strength of extremist parties and reduced cabinet durability, see Lawrence Dodd, *Coalitions in Parliamentary Government* (Princeton: Princeton University Press, 1976). In his subsequent work Huntington has increasingly tended to see collective protest as a factor that can lead to reform and institutional realignment. See Samuel P. Huntington, *American Politics: The Promise of Disharmony* (Cambridge: Harvard University Press, 1981), esp. 203–10.

[8] Bert F. Hoselitz and Myron Weiner, "Economic Development and Political Stability in India," *Dissent* 8 (Spring 1961), 173. Huntington specified his model in terms of a series of causal statements that link social mobilization, discontent, and political instability; Huntington (fn. 7, 1968), 55.

[9] See Ted Robert Gurr, *Why Men Rebel* (Princeton: Princeton University Press, 1970) for the empirical specification of this concept.

[10] The polarization model is very popular with India's indigenous Left and their Western

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been brought into question by Lichbach, who reports, on the basis of a comprehensive review of the literature, that no conclusive evidence of a relationship between economic inequality and political conflict exists.[11] Recent historical research has also challenged many previously well established assumptions about the reaction that developmental change was supposed to invoke in peasant societies. Rather than the spontaneous outburst of righteous—even mindless—anger, one is more likely to witness strategic protest from rational peasants, who try to combine both conventional and radical tactics to achieve their objectives. As Barkan and Holmquist suggest in their study of Kenya, "No longer regarded as passive actors in the state-peasant equation, peasants are now seen as rational actors seeking to maximize their individual, class and community interests within the multiple constraints of the social structure, the market, ecology and state policy."[12]

A Theory of Rational Protest

The general question that arises here is, what are the implications for the relations between protest behavior and state legitimacy once the state introduces, as intervening factors, policies of economic growth and redistribution in response to pressure from below? Is it not plausible to argue that the presence of an extremist party or group speaking in the name of the deprived and poised Janus-like at the fringe of the system—with an antigovernment public face but a private face organized around conventional lines—actually reduces bigger threats to the legitimacy of the system? Would this not be particularly true in the context of a responsive state? These speculations are given greater validity by the findings of Powell, who suggests that "riots and protests are less likely to

sympathizers. See Terry Byres, "The New Technology, Class Formation and Class Action in the Indian Countryside," *Journal of Peasant Studies* 8 (July 1981), 405–54.

[11] Mark Irving Lichbach, "An Evaluation of 'Does Economic Inequality Breed Political Conflict?' Studies," *World Politics* 41 (July 1989), 431–70. Lichbach questions the assumption that under the pressure of righteous anger arising out of relative deprivation people give vent to their collective frustration in a spate of irrational violence. In a different context, Charles Tilly has questioned such knee-jerk theories of political conflict. "The image," as Tilly remarks, commenting on these theories, "is hydraulic: hardship increases, pressure builds up, the vessel bursts. The angry individual acts as a reservoir of resentment, a conduit of tension, a boiler of fury. But not as a thinking, political man operating on principle"; Tilly, *The Formation of National States in Western Europe* (Princeton: Princeton University Press, 1975), 390.

[12] Barkan and Holmquist (fn. 5), 363. For applications of the same approach, see Robert Bates, *Markets and States in Tropical Africa* (Berkeley: University of California Press, 1981); and Samuel Popkin, *The Rational Peasant* (Berkeley: University of California Press, 1979).

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appear under these conditions, perhaps because of the opportunity for protest leaders to work within the system."[13] These conjectures can be put together as an alternative "rational protest" model (Figure 2).

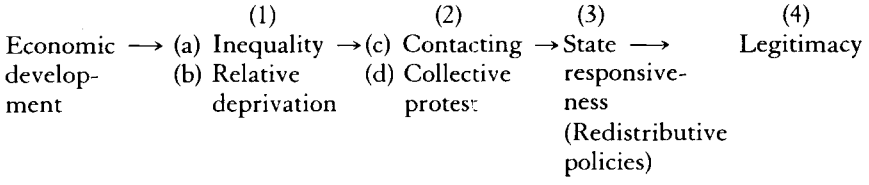

FIGURE 2
A "RATIONAL PROTEST" MODEL OF PARTICIPATION

In the first instance, the relative deprivation caused by unequal distribution of the benefits of development intensifies pressure on the existing institutions and decision makers to accommodate the demands arising from the newly mobilized social groups (Figure 2-1). This pressure can take the form of various types of contact with authorities, lobbying, and protest action (Figure 2-2). One of the critical determinants of the specific combination of these tactics is state responsiveness (Figure 2-3); the more unyielding the state, the more radical the collective protest gets. Through the accommodation of some strategic demands, however, the state can enhance its legitimacy and take the wind out of the sail of revolution (Figure 2-4); bring pressure to bear on its lower-level functionaries to remain responsive (Figure 2-3); initiate redistributive policies; and reduce *perceived inequality*.

The dual role of local elites, critically important to the process of rational protest, is, however, little understood in cross-cultural studies of development. By a curious coincidence, the concept that there is "room to maneuver" is anathema both to the classic development planners as well as to advocates of peasant revolution. Local elites are the bêtes noires of the advocates of the liberal-modernization approach[14] as well as of the radical-structural critics of that approach.[15] The former, top-down theorists of development, have routinely assumed that knowledge, technology, and capital accumulating at the top of the system will trickle down to the bottom in due course through the process of modernization. The

[13] G. Bingham Powell, "Extremist Parties and Political Turmoil: Two Puzzles," *American Journal of Political Science* 30 (May 1986), 374.

[14] R. Reddy and G. Hargopal, "The 'Pyraveekar': The Fixer in Rural India," *Asian Survey* 25, no. 1 (1985), 1148–62; G. Elwert and T. Bierschenk, "Development Aid as an Intervention in Dynamic Systems," *Sociologia Ruralis* 28, nos. 2 & 3 (1988).

[15] See Frankel (fn. 1, 1978).

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failure of the nature and course of economic development to live up to these expectations is blamed on the meddlesome middlemen who obstruct the functioning of rational plans. Conversely, the advocates of radical reform see in local elites an ally of repressive structures who defend backward social and economic systems. The main thrust of development theory avoids mentioning local elites altogether, except to point to them as the enemies of economic development and social change.

One exception to this generally bleak picture is the remarkably perceptive study of Esman and Uphoff.[16] On the basis of a cross-national analysis of Asian experience, they conclude that effective local organizations "accountable to the local people, and involved in rural development functions, generally accomplished rural objectives more successfully with respect to the available resource base than those with less rural organization."[17] However, while their analysis draws attention to the potential for significant intervention at the local level in the process of development, the focus on formal bodies shifts attention away from the local elites, who are the real actors behind local organizations.

The rational protest model has potential applicability outside developing societies as well. Indeed, even in Great Britain—that epitome of stable democracy—"protest behaviour, far from being the occasional outbursts of a hopelessly alienated minority, is an integral part of political consciousness and is viewed, under a variety of circumstances, as a legitimate pathway of political redress by widely differing sections of the community."[18] Cross-cultural support for this view is provided by the effective, rather than deviant, character of "unconventional political behaviour,"[19] "disorderly politics,"[20] "deliberate defiance of the law,"[21] and the efficacy of protest movements as complementary forms of political action in France.[22] Further supportive evidence, which would radically challenge the dismissal of protest behavior as destructive of the legitimacy of the state, is provided by Powell, who reports extremist party

[16] Norman Uphoff and Milton Esman, *Local Organizations for Rural Development: Analysis of Asian Experience* (Ithaca, N.Y.: Rural Development Committee, Cornell University, 1974).

[17] Ibid., ix.

[18] A. Marsh, *Protest and Political Consciousness* (Beverley Hills: Sage, 1977), 39.

[19] M. Kaase, *Political Ideology, Dissatisfaction and Protest* (Mannheim: Institut für Sozialwissenschaften an der Universität Mannheim, 1972); and E. M. Muller, "A Test of Partial Theory of Potential for Political Violence," *American Political Science Review* 66 (September 1972), 928–56.

[20] D. von Eschen, J. Kirk, and M. Pinard, "The Conditions of Direct Action in Democratic Society," *Western Political Quarterly* 22 (June 1969), 309–25.

[21] J. Bondurant, *The Conquest of Violence: The Gandhian Philosophy of Conflict* (Berkeley: University of California Press, 1965); A. Carter, *Direct Action and Liberal Democracy* (London: Routledge and Kegan Paul, 1973).

[22] Philip Cerny, ed., *Social Movements and Protest in France* (London: Frances Pinter, 1982).

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support to be associated with both cabinet instability and citizen turmoil, but not with "deadly violence or the overthrow of democratic regimes."[23]

Situating the Model in the Indian Context

A brief account of the role and history of the Indian state is helpful in the empirical specification of the abstract model proposed here. In contrast to Europe, the state in India is neither the product of a rising bourgeoisie leading an industrial revolution nor the product of the revolutionary seizure of power by political forces committed to a socialist revolution. At the center of the postindependence state were politicians who, during the long years of colonial rule, had perfected the art of sharing increasing amounts of power through competition and collaboration with the British. Independence further expanded the scope of political bargaining with competing interests that had become the hallmark of the Congress Party. "Development," understood as a generic expression for a series of mostly government-sponsored activities—the construction of roads, bridges, public utilities, and, more generally, social welfare, subsidies, and rapid economic growth—become the leitmotif of political discourse of postindependence India. Political formations of the Left, Right, and the Center confronted one another in successive general elections with their specific interpretations of the "developmental imperative." Under growing political pressure, the state in India has increasingly intervened in the social process by creating new social legislation and providing safety nets—or at least promising to do so. Whereas in Western Europe during the formative phase of capitalism, the state behaved very much as the "executive committee of the bourgeoisie," the state in India, like the avatars of Vishnu, reserved for itself a multiplicity of roles: of accommodation, extraction, production, and repression, stepping in as the inevitable intermediary whenever the conflict between social forces became threatening to public order.[24] Thus, the intermediary role of the state offered room for maneuver to vulnerable groups.

Local political process in India is molded by the conflicting demands of a modern state and a resilient traditional society; of a growing capitalist market set within a legal structure that is formally committed to egalitarianism. Since the general statements made here hang crucially

[23] Powell (fn. 13), 357.

[24] The powerful and numerous group of "bullock capitalists"—"small-scale, self-employed farmers who rely more on family labor and their own capital than on wage workers or machines"—is indicative of both the vitality of the process of capital formation and the effectiveness of social limits to the growth of predatory capitalism. For the multiple roles of the state in India, see Lloyd Rudolph and Susanne Rudolph, *In Pursuit of Lakshmi: The Political Economy of the Indian State* (Chicago: University of Chicago Press, 1987), 400–401.

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upon the local elite, devising a field strategy for their identification and the measurement of their attitudes is of utmost importance in the empirical specification of our abstract model. Previous Indian research is of limited utility here. Based often on studies of single villages, it provides insight but is not helpful to answer theoretical questions or to draw general inferences. Studies of *panchayatiraj* (village councils) that utilize survey methods are more promising, but are not very helpful in terms of illuminating the political world of local leaders because, more often than not, they are based only on interviews with the local officials.

I therefore decided at the beginning of my fieldwork to utilize the reputational technique to identify local elites.[25] Thus, in each of the eighteen villages studied, five informants were asked to list the *gaon ka netas* in their order of influence. These lists, compiled independently, were then compared, and the names appearing most frequently were retained as a working roster of local elites in a particular village. In this process, 233 people were identified from among the ranks of those within the *panchayatiraj* structure (village and area councils), as well as from cooperatives, school boards, school teachers, and Village Level Workers (who, as government employees, are not entitled to dabble in local politics but do so all the same), and caste organizations. These leaders were interviewed on the basis of both structured and open-ended questions on a range of topics that covered the problems faced by the people of the area, the solutions they considered desirable, the institution they considered best placed to implement these solutions, and the variety of methods they pursued to influence bureaucrats and political leaders at higher levels. The interviews, conducted during 1979–80 simultaneously with a larger survey of a cross-section of the population in the study villages, were undertaken by the author with the help of research assistants and were conducted in the local languages.[26]

[25] For the application of the reputational technique for elite studies in India, see Rajendra Singh, *Land, Power and People: Rural Elites in Transition, 1808–1970* (Delhi: Sage, 1988).

[26] Local protest movements came into prominence in the early 1970s following the deinstitutionalization of the Congress Party and the decline of intermediate structures. The fieldwork for this study was conducted after the lifting of the national Emergency (1975–77), which had imposed severe restrictions on the freedom of political activity. The full range of political activities had been restored for about two years when the survey was conducted. The combination of plebiscitary politics at the national level and protest movements at the regional and local level that characterized the spatiotemporal context of the survey have continued to be the dominant themes of Indian politics through the 1980s. (See Rudolph and Rudolph [fn. 24], 127–58, for the rise of plebiscitary politics, and 247–58 on demand groups.) For the results of the survey of the cross-section conducted simultaneously with the elite study, see H. R. Chaturvedi and Subrata Mitra, *Citizen Participation in Rural Development* (Delhi: Oxford and IBH, 1982). A comprehensive report on the elite data, which continue to be interesting because of the enduring importance of local protest movements and the distinctive styles of Gujarat and Orissa politics, will be published in Subrata Mitra, *Power, Protest and Participation* (London: Unwin, Hyman, forthcoming).

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Any study purporting to suggest a generalization about India must come to grips with India's regional diversity. State responsiveness and extensive political bargaining are more likely to be present in those parts of India that are more advanced in terms of economic and infrastructural development. A second contributory factor to this diversity is the length and depth of British colonial rule, for the "due process of law" and limited political participation that the British made available to their subjects, even under colonial conditions, was not applicable to the natives of territories under the rule of Indian princes. In the empirical specification of the model, therefore, the regional variation is incorporated through the selection of two regions of contrasting character: Gujarat, with a long history of participation and economic development, and relatively backward Orissa, large parts of which were ruled by Indian princes and were integrated with mainstream politics and the market only after independence.

The samples for the survey were chosen from Surat and Dhenkanal, two districts at the median level of development, respectively in Gujarat and Orissa. Using a quasi-experimental research design that controlled for village size, nine villages with high, medium, and low levels of development were selected in each district. Surat district in South Gujarat has a long history of capitalist development. The rural scene has been virtually transformed from a subsistence agriculture to one in which capitalist farming provides an important, but not the primary, source of occupation to the majority of the rural population. Dhenkanal, on the other hand, provides a contrasting rural scene, where sporadic attempts to introduce new agricultural technology have created isolated islands of modern farming surrounded by a vast hinterland of subsistence agriculture. There is nevertheless a sense of movement in the labor market, owing to the policy of rapid growth of rural industries undertaken by the Orissa state government. These activities have been drawing away some agricultural workers, creating resentment among employers and strains within the traditional social structure where a *halia* (farm servant) used to work for a given master on the basis of annual contract. As such, the situation is one of radicalized workers, often pitted against employers operating within a relatively traditional economy.[27] Despite changes in the high politics of Delhi, recent studies have confirmed the enduring nature of the contrast between the two regions.

[27] See India, *Techno-economic Survey of Orissa* (New Delhi: National Council of Applied Economic Research, 1962); and idem, *The Techno-Economic Survey of Gujarat* (New Delhi: National Council of Applied Economic Research, 1963), for the socioeconomic background of Orissa and Gujarat.

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Like other residents of the village, local elites are affected by the nature and scale of development in their village. They attempt to overcome inadequate allocation to the village through negotiation with decision makers at higher levels. Alternatively, and sometimes in addition, they bring pressure through popular mobilization, petitions, and, eventually, the disruption of public order. In the analysis that follows, the data are analyzed by region and, within each region, cross-tabulated by social class. Social stratification is measured in terms of caste. The so-called elite castes, especially Brahmins, traders, and writer castes who, during British rule, capitalized on their links with the outside world and entered the professions and government services, are classified as upper caste. For statistical analysis, the cultivating castes are grouped together as the middle castes, and the former untouchables and indigenous population (tribals) are counted as Adivasi/Harijan.

From the perspective of the polarization model, economic development affects the three social classes quite differently. Those with contacts and adequate capital (in this case, the upper and the middle castes) can be expected to do rather nicely from development, whereas the Adivasi/Harijan are vulnerable to a rapid erosion of their standard of living as their living space is "enclosed" by a rapidly advancing capitalist economy and as the sources of supplementary income are steadily removed by the more rational bookkeeping of the modern economy.[28] The polarization model would lead to the expectation of greater relative deprivation among the Adivasi/Harijan than among the upper castes, but the expectations of the rational protest model would be more complex and mixed in character. Further, the expectation arising out of the polarization model would be one of intense relative deprivation, conflict, and loss of legitimacy, whereas the rational protest model would channel relative deprivation towards political action. The protest model would witness extensive use of "contacting" and all forms of social and political leverage, including various types of collective protest that, although coercive, nevertheless stop short of outright revolution. Some of these hypothetical expectations are examined below in light of the empirical findings.

Some Partial Evidence of the Room to Maneuver

The room to maneuver in the middle as defined above is not a directly measurable variable, but its presence can be observed in terms of its im-

[28] It can, of course, be argued here that the growth of labor markets should offset some of the hardship faced by those without any capital except their labor. However, the migration of poorer people can in effect send both the prevailing wage rate and the annual availability

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plications. The following analysis will examine two sources of evidence: the social origin of local elites and their own evaluation of the modes of political action.

The Social Profile of the Local Elite

The sample of local elites manifested a fair amount of social and economic diversity, with sizable representation of Scheduled Castes, Scheduled Tribes (so-called, because they have been named in the ninth Schedule of the Constitution of India), as well as of marginal and small farmers. (See Table 1.) The results presented in Table 1 throw into question some of the arguments of the polarization model, which asserts that leadership at the local level is monopolized by the "dominant elites" who possess land, money, power, and high social status. As such, they manage to corner most of the benefits of development. The field data, in revealing considerable social heterogeneity in the profile of local elites, question the rather simplistic view of the polarization model, which takes into consideration neither the diversity in social origin of local elites nor the fragile and variable base of their political support, contingent in most cases on their ability to promote the interests of their clientele.

Of particular significance is the presence of large numbers of Adivasi/Harijan among local elites. Growing politicization of the Indian electorate has led to the steady broadening of the political arena, considerable turnover of leadership, and the entry into the political process of those who were hitherto excluded.[29] The results presented in Table 1 supplement this growing body of electoral evidence by revealing the social base of local elites. While the age profiles of the two regions are roughly comparable, the proportion of upper–caste people among local elites is less in more developed Gujarat than in rustic Orissa. Former untouchables and tribals have made greater headway in Gujarat. About a fifth of the local elites in both regions are illiterate or barely literate, and a significant number have less than five acres of land. These and the other social indicators reported in Table 1 reveal the extent of social heterogeneity

of work downwards. See Jan Breman, *Of Peasants, Migrants and Paupers: Labour Circulation and Capitalist Production in West India* (Delhi: Oxford University Press, 1984), xx.

[29] Supportive evidence of this form of mobility is provided by the literature on electoral mobilization, which informs us of the remarkable progress made in several Indian states by the "backward classes," which in the politically turbulent sixties, were successful in dislodging the upper-caste leadership from their dominant position. Evidence of electoral mobilization of agrarian interests through "backward caste movements" is provided by Rudolph and Rudolph (fn. 24). Also see the contributions of John Wood and Rhoderick Church in John Wood, ed., *State Politics in Contemporary India: Crisis or Continuity?* (Boulder, Colo., and London: Westview Press, 1984), for detailed discussions of the state of mobilization of the "backward classes" in various Indian states.

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TABLE 1
SOCIODEMOGRAPHIC PROFILE OF LOCAL ELITES IN GUJARAT AND ORISSA (PERCENTAGE)

	Gujarat (N = 131)	*Orissa (N = 102)*
Age		
Under 34	16	18
35 to 49	41	44
50 and above	43	38
Caste		
Upper	16	31
Middle	37	46
Adivasi/Harijan	42	22
Non-Hindu	5	1
Education		
Illiterate or barely literate	19	15
Primary or middle level	41	55
Matriculated or above	40	30
Occupation		
Owner/cultivator	65	69
Agricultural worker	9	4
Small trader or professional	22	20
Other	4	7
Land ownership		
Less than 5 acres	18	45
6 to 20 acres	49	43
More than 20 acres	33	12
Organizational involvement		
None	5	7
1 to 2 organizations	41	47
3 to 5 organizations	31	36
More than 5 organizations	23	10

among local elites, both in a relatively developed as well as in a backward region of India. Subsequent tables will reveal the complex interplay of these factors as they affect the flow of material resources and attitudes toward participation.

MODES OF POLITICAL ACTION

What kinds of action do local leaders approve of as means of putting pressure on decision makers? From Table 2, it appears that the leaders in both regions overwhelmingly approve of such conventional forms of

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action as contacting important leaders and officials or making representations to higher authorities. The pattern, when it comes to radical action, is much more complex. "Hard" forms of direct action such as nonpayment of taxes and *gherao* (surrounding a decision maker and holding him until a favorable decision is obtained), which have larger potential costs in terms of individual penalty, carry less support than "softer" forms such as *morcha* (a procession intended as a show of strength). Only a minority appears to approve of radical collective action in most cases.

TABLE 2
NORMATIVE APPROVAL OF MODES OF PARTICIPATION, CROSS-TABULATED WITH CASTE (PERCENTAGE)

Question: *It has been seen that people engage in different kinds of acts for drawing attention of concerned authorities to their demands and grievances. Please tell me which of these acts you personally approve of or disapprove of.*

Respondent approves of	*Gujarat*	*Orissa*
Contacting important leaders	97	98
Contacting important officials	95	98
Representations like signature campaigns or memoranda	95	94
Joining demonstrations	21[a]	40
Morcha (a gathering intended as a show of strength)	39	31
Strike	13[b]	16
Nonpayment of taxes	11	8[c]
Gherao (surrounding decision makers to put pressure)	7[d]	12

[a] Correlation with caste status (Kendall's tau b) = 0.12, significant at 7%.
[b] Correlation with caste status (Kendall's tau b) = 0.22, significant at 0.04%.
[c] Correlation with caste status (Kendall's tau b) = 0.16, significant at 4%.
[d] Correlation with caste status (Kendall's tau b) = 0.14, significant at 5%.

How effective is radical action perceived to be as a method of material advancement? The responses to this question are presented in Table 3. In both states, people from the upper social stratum are less likely to approve of protest and agitation. From the cross-tabulation of the data presented in Table 3 with social class, the Adivasi-Harijan both in Gujarat and Orissa—at 57 percent and 50 percent, respectively—believe that conditions can be improved through protest and agitation. In both Gujarat and Orissa the upper stratum tends to believe that protest and agitation hinder development, but the pattern of their disapproval is different. While in Orissa both the strata are equally opposed to protest and agitation, at 79 percent, the hostility of the Gujarati middle stratum to "protests and agitations by the poor and the depressed"—12 percent ahead of the uppermost stratum—is reminiscent of Breman's reports of

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TABLE 3
IMPACT OF PROTEST AND AGITATION ON DEVELOPMENT, CROSS-TABULATED WITH CASTE
(PERCENTAGE)

Question: *Some people say that it is through protest and agitation that the poor and depressed will improve their conditions. Others say that protests and agitations of this kind hinder development and will not benefit anyone. What do you think?*

	Adivasi/ Harijan	*Middle Caste*	*Upper Caste*	*Total*
Gujarat respondents (N = 130)[a]				
Improve conditions	57	21	33	39
Hinder development	43	79	67	61
Orissa respondents (N = 102)[b]				
Improve conditions	50	23	25	30
Hinder development	50	77	75	70

[a] Kendall's tau b = 0.23, significant at .03%.
[b] Kendall's tau b = 0.18, significant at 2%.

the intense antagonism of the landowning middle social stratum toward the lowest social groups.

SOCIOSTRUCTURAL AND POLITICAL FACTORS IN THE BENEFITS OF DEVELOPMENT

Having already examined some partial indicators of attitudes toward normal and radical modes of participation, we shall now offer a more systematic examination of this process. This is done by first formulating the implications of the polarization model in terms of a "structural" equation that suggests that the higher the social class, the greater are the gains one might expect out of development. The model is specified in terms of a simple equation:

Equation 1

Benefits of development = f (social class)
where f > 0,
social class is measured by caste status, size of landholding, and education.

Benefits of development are usually measured in India in terms of a variety of "objective" indicators pertaining to material resources such as agricultural inputs and developmental loans. We expanded this definition by including a more subjective "satisfaction" with development as

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well as improvement in the overall financial situation. From the foregoing, we can conceptualize the routes one might traverse to reach these desired goals. The first of these requires the least amount of political or organizational effort. This route, "participation without politics," is secured through the normal operation of the market.[30] Ceteris paribus, those with the necessary initial advantages of wealth, social standing, and education are likely to be the normal beneficiaries of participation without politics as implied by Equation 1. There are, however, other routes to participation that are more political in character. These consist in contacting leaders and officials at higher levels, getting involved in organizations, and taking direct action. While they are conceptualized in the abstract as independent paths, in the real world of politics they are likely to operate in complex combinations. To measure their independent and joint contributions to participation in development, we can specify a structural-political model in terms of a second equation:

Equation 2

Benefits of development = f (social class, organization and contacting, attitudes to collective protest)
where $f > 0$,
(a) social class is measured as above,
(b) organization is measured in terms of the number of organizations with which the respondent is associated,
(c) contacting is measured in terms of the frequency with which the individual contacts decision makers at higher levels, and,
(d) attitude to collective protest is measured in terms of the local elites' approval of direct action.

"Benefits of development," the major dependent variable in this analysis, was measured in terms of a scale created by totaling responses to questions about items such as improved seeds, chemical fertilizer, irrigation, house sites, the government "land to the landless" program, bank loans, subsidies, improved agricultural implements, and government aid for promotion of small industries. For the purposes of constructing this scale of the benefits of development, those who had received any of the named items during the previous two years scored one point on each item; those who had not, scored zero. Considering the relative levels of development of Orissa and Gujarat, the results do not come as a surprise. Whereas in relatively backward Orissa only 14 percent of the local elites had received six or more of the items on the scale, the corresponding

[30] Samuel Brittan, *Participation without Politics: An Analysis of the Nature and Role of Markets* (London: Institute of Economic Affairs, 1975).

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score for Gujarat was 30.5 percent. In both Gujarat and Orissa, benefits of development were closely related to satisfaction with improvement in the financial position of the respondent (with a correlation of .4 in Gujarat and .18 in Orissa) and in general satisfaction with development of the area. (For this, the correlation is .21 in Gujarat and .27 in Orissa.) The subjective indicators themselves were positively correlated, giving both measurements of development a reasonable degree of internal coherence.

Using the above parameters for both the structural and the structural-political models, Table 4 presents the results of the multiple regression in order to test Equation 1, whose conjecture it only partly confirms. Thus, the positive coefficient of caste status in Orissa in regression equation 4.1 (in Table 4) confirms the hypothetical expectation that the lower the caste, the less are the chances of getting developmental benefits.

TABLE 4
SOCIOECONOMIC FACTORS ASSOCIATED WITH THE BENEFITS OF DEVELOPMENT
(STANDARDIZED BETA COEFFICIENTS)[a]

Independent Variable	*Dependent Variable*			
	Material Benefits	*Present Financial Situation*	*Finances Compared to the Past*	*Overall Satisfaction with Development*
Regression Equation	4.1	4.2	4.3	4.4
Gujarat respondents (N = 131)				
Social class[b]	−.31	.2	−.33	—
Education	—	—	—	.23
Land	—	.24	—	.26
R^2	.11	.13	.09	.12
Orissa respondents (N = 102)				
Social class[b]	.25	—	.31	—
Education	—	—	—	−.31
Land	—	—	—	—
R^2	.06	.01	.10	.08

[a] Only coefficients that are significant at .05 level or less have been reported.
[b] Social class is measured in terms of caste status, scaled as follows: Adivasi/Harijan = 1, middle caste = 2, upper caste = 3.

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Though the model explains only 6 percent of the variance, the statistical relation is in the predicted direction. High multicollinearity, caused by the strong correlation between land, caste, and education, reduces the significance of the coefficients of education and landholding. However, turning next to results from Gujarat in regression equation 4.1 (Table 4), it is immediately obvious that, rather than low caste status reducing one's chances of obtaining developmental benefits, the strongly negative coefficients suggest that it actually improves them. The variance of 11 percent is modest but higher than that explained by the same model in Orissa. Moving over to equation 4.2, we notice that the model does not produce any significant coefficients in Orissa. However, in Gujarat, the implications of the model are somewhat contradictory. Those owning land are more likely to be satisfied with their present financial situation; but the higher the caste, the opposite is more likely to be the case. From equation 4.3 in Orissa, we see that the lower the caste, the less one is satisfied with one's present financial situation; whereas the opposite is true in Gujarat. Finally, as regards overall satisfaction with development, in Orissa the more educated are less satisfied. In Gujarat, on the other hand, the data conform to Equation 1: the higher the education and the size of landholding, the more one is satisfied with the pace and quantum of development.

What happens when people do not receive the benefits they believe they are entitled to? In order to account for the contrast between Gujarat and Orissa, we need to add some political and organizational variables, as explanatory factors, through Equation 2. We know from Table 3 that more Gujaratis believe in the efficacy of protests and agitation than do the local elites in Orissa. Moreover, belief in the efficacy of development in Gujarat is not simply normative. It seems to have a firm basis in the developmental experience of the Adivasi-Harijan in the two states as well. In terms of both the tangible benefits of development and their general financial situation, these historically underprivileged groups in Gujarat seem to have had a more positive experience compared with those in Orissa. An impressive group of 60 percent of the Adivasi-Harijan in Gujarat are in the highest category on the composite scale of benefits, compared to 9 percent of the uppermost social class and 16 percent of the middle social class. The corresponding figures from Orissa are, respectively: 9 percent for the Adivasi-Harijan, 11 percent for the middle, and 22 percent for the upper social classes. Even more spectacularly, 91 percent of the Adivasi-Harijan questioned reported an improvement in their financial situation over the past ten or fifteen years in Gujarat, whereas none among the Adivasi-Harijan in Orissa reported having ex-

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perienced an improvement in personal financial situation over a similar period.

Among other factors that further enhance involvement with—and benefits from—the process of development are contacts with leaders and officials at higher levels, involvement with a range of intermediate organizations, and psychological preparedness to engage in radical behavior. At the level of partial correlations, each of these factors is positively related to developmental benefits in Orissa (respectively, .15, .14 and .22). By contrast, in Gujarat, only organizational involvement is positively related to benefits; and radical attitudes are expressed by those who have not been successful in securing benefits. Turning to the regression results presented in Table 5, though the addition of these variables causes the variance explained to go up modestly, their contributions are not significant. In regression equation 5.3, whereas organizational involvement in Gujarat contributes positively to the improvement in an individual's financial situation compared with the past, the opposite is true in Orissa. One explanation for this is that there are a considerable number of local elites from the Adivasi-Harijan in Orissa who are involved in a range of organizations but who complain bitterly that their financial situation has definitely worsened. Radical sentiments are expressed by those from the upper social stratum in Gujarat who have not seen any improvement in their financial situation over the past. (See 5.4 in Table 5.) However, those who are satisfied are also likely to take radical action to achieve their ends. In other words, the political repertoire of developmental participation in Gujarat includes conventional as well as radical action, used in an optimal combination. In Orissa, on the other hand, anger and frustration are expressions of a sense of personal impotence, more likely to be the rebellion of the deprived than a tactical instrument in the hands of resourceful political entrepreneurs.

Multiple Modes of Participation

The "room to maneuver in the middle" implies that radical and conventional behavior complement one another. However, when society is polarized into antagonistic camps, one would expect a negative correlation between attitudes toward conventional and radical modes of action. Elite perception of the nature of the state is crucial to this relationship: on the one hand, the image of the state as a manipulable source of bounty will encourage attitudes closer to a transactional model; on the other hand, a state that is perceived as distant and paternalistic would not lead to a sense of individual efficacy. In the latter case, subjects are likely to ac-

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TABLE 5
CONTRIBUTION OF STRUCTURAL AND POLITICAL FACTORS TO THE BENEFITS OF DEVELOPMENT (STANDARDIZED BETA COEFFICIENTS)[a]

Independent Variable	*Dependent Variable*			
	Material Benefits of Development	*Present Financial Situation*	*Finances Compared to the Past*	*Overall Satisfaction with Development*
Regression Equation	5.1	5.2	5.3	5.4
Gujarat respondents (N = 131)				
Social class[b]	−.28	—	−.33	−.33
Education	—	—	—	—
Land	—	.3	—	—
Contacting[c]	—	—	—	—
Organization[d]	—	—	.22	.22
Radical norm[e]	—	—	—	−.21
R^2	.13	.18	.18	.19
Orissa respondents (N = 102)				
Social class[b]	.24	—	.32	—
Education	−.28	—	—	−.32
Land	—	—	—	—
Contacting[c]	—	—	—	.2
Organization[d]	—	—	−.24	—
Radical norm[e]	.21	—	—	−.2
R^2	.14	.02	.14	.15

[a] Only coefficients that are significant at .05 level or less have been reported.
[b] Social class is measured in terms of caste status, scaled as follows: Adivasi/Harijan = 1, middle caste = 2, upper caste = 3.
[c] Contacting is measured by adding up the frequency with which local elites contact leaders and officials at higher levels: never = 1, rarely = 2, sometimes = 3, frequently = 4.
[d] Organization is measured by adding up the number of organizations and associations with which the respondent claims to be involved.
[e] Radical norm is measured by adding up the approval modes of protest behavior: *morcha, gherao*, strike, nonpayment of taxes. Approval = 1, nonapproval = 0.

quiesce more frequently. However, when they are pushed beyond the limit, the outcome would be that of no-holds-barred rebelliousness.

The questions that were asked to measure the perception and evaluation by local influentials of the range of activities related to participation has already been discussed in Table 2. The relationship between conven-

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tional and radical modes of action was tested on the basis of a factor analysis of modes of participation. The factor analysis was carried out on the sample as a whole, as well as on the local elites of Gujarat and Orissa separately. The results of the analysis on the full sample (Table 6) point to the existence of two principal factors, explaining 46 percent of the variance. On the basis of the factor loadings, we can identify two principal factors: factor 1 represents the conventional dimension of participation, consisting of "personal approval of signature campaigns" and contacting important leaders and officials; factor 2, with high loadings on various forms of coercive and direct action, constitutes the radical dimension.

The factor correlation between the conventional and the radical dimensions of participation is a relatively weak but positive .06. However, when carried out at the regional level, the model reveals interesting local variations. In Gujarat, the factor correlation between the conventional and the radical dimensions is positive, and, at .2, is stronger than that of the correlation on the total sample. In Orissa, the factor structure is slightly different. The radical dimension is composed of the same items as in Gujarat. The conventional dimension appears as two distinct but positively related factors, with signature campaigns appearing as a separate dimension. The correlation between the first dimension, composed of contacting leaders and officials, and radical dimension is, at −.26, quite strongly negative.

TABLE 6
FACTOR ANALYSIS OF THE MODES OF PARTICIPATION ($N = 233$)
(WITH OBLIQUE ROTATION)

Respondent Personally Approves of:	*Factor Loadings* *Factor 1*	*Factor 2*
Representations such as signature campaigns or memoranda	.36	.11
Joining demonstrations	.18	.65
Morcha, processions	.11	.43
Gherao	.16	.90
Strike	.04	.77
Nonpayment of taxes	.14	.57
Contacting important leaders	.99	.06
Contacting important officials	.83	.21

CONCLUSION

The Indian case has wider implications because it represents a significant attempt to achieve economic transformation through constitutional

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means and the "rule of law."[31] The empirical problems discussed in this article point toward larger theoretical issues. What cross-cultural inferences might one draw from the Indian experience? Does radical protest, emerging out of a sense of injustice, diminish or extend the legitimacy of the state in India?

Local elites are the crucial piece in the puzzle that Indian political economy presents to those who wish to make a short-term prognosis. Conceptually, local elites operate as a "hinge" at the meeting point of the modern state and the traditional society. Their social composition and political character are critical to the shape of state-society relations.

Several scenarios are possible. Competing local elites, operating within institutions that have at least a modicum of political autonomy and are representative and accountable to a larger constituency, can act as the cutting edge of an expanding, liberal state. However, local elites, present as a socially cohesive group able to cumulate the advantages arising out of the control of means of production, social status, and physical force, can use local institutions to reinforce their political dominance also. In terms of her empirical understanding of rural India, Frankel appears to be closer to the second view. Hence the skepticism about the ability of the state to extend its norms of social equality and political participation into the domain of the traditional society. "[For the purpose of economic development and social change] institutional changes, in particular, would have to be implemented in the villages through the existing local authorities, that is, the very rural elites against whose power they were directed. At the villages, the loudest voices still belong to members of the dominant landowning classes."[32]

In contrast to this image of a socially cohesive elite, dominating rural life through its control of the means of production and political power, our field data indicate that local elites are far from being socially homogeneous and politically cohesive. Allocation of developmental benefits in the local political arena is not the result of social dominance but is the outcome of a complex process based on bargaining and political competition, however imperfect. Thanks to the state structure and the political process that characterizes it, discontent and relative deprivation arising out of unequal allocation of developmental benefits do not result in apathy and anomic powerlessness. Instead, people engage in various forms of direct political action. All forms of intervention in the process of developmental allocation—ranging from contacting decision makers at

[31] John Lewis, *Quiet Crisis in India: Economic Development and American Policy* (Garden City, N.Y.: Anchor Books, 1964), 8.

[32] Frankel (fn. 1, 1978), 547.

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higher levels to direct action of indeterminate legality such as *gherao*—are seen as shades of legitimate political action. All these forms of action, related through normative approval and participation, constitute a complex repertoire. The strategic choice of a particular form of action is contingent upon the local configuration of power and issues at stake. Their actual and potential availability within the political system extends the set of relevant players and the developmental agenda, as well as the political arena within which the issues of allocation are settled.

Political trends in various states of India provide variations around this basic model. Both in Gujarat and in Orissa, the lowest social strata are very much present within the local political arena. But in Gujarat, the former untouchables and tribal leaders are part of a wider network, whereas similar organizations and political linkages are not available in Orissa. There, the absence of these institutional and political links and the slower rates of growth in the rural economy have combined to retard the pace of accommodating lower-class interest. By contrast, in Gujarat, the consequences of a rapidly expanding rural economy, combined with radical and organized lower-class politics, can be seen in the relatively more successful accommodation of the political agenda of the lower strata.[33]

Some scholars who view culture as a limiting factor for political concepts and action, pointing to the failure of constitutional experiments in the vast majority of postcolonial societies, might argue that cross-cultural export of good practices is essentially a neo-modernist pipe dream.[34] But the Indian case does offer a moral for those seeking to achieve, *simultaneously*, both stability of the state and some measure of economic growth within a democratic political structure. The Indian case demonstrates that room for vulnerable social groups to maneuver—room that can be created through decentralization of power, active political participation at the local level, and legal and administrative tolerance for protest behavior—can contribute to the legitimacy of the state.

Orthodox defenders of political stability for whom any protest is anathema might read at least a mild form of "Huntington's revenge"[35]

[33] On the mobilization of lower castes in Gujarat, see John Wood, "Congress Restored? The 'KHAM' Strategy and Congress (I) Recruitment in Gujarat," in John Wood (fn. 29); and, for upper-caste backlash against the policy of reservation in favor of the former untouchables, tribals, and backward classes, see Subrata Mitra, "The Perils of Promoting Equality: The Latent Significance of the Anti-Reservation Movement in India," *Journal of Commonwealth and Comparative Politics* 25, no. 3(1987), 292–312.

[34] See, for example, Victor Funnell, "The Philippines: In Search of the Nebulous State," in Subrata Kumar Mitra, ed., *The Post-Colonial State in Asia: Dialectics of Politics and Culture* (Hemel Hempstead: Wheatsheaf, 1990), 131–54.

[35] The reference here is to the trade-off between political stability and economic growth

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into India's undistinguished record of economic growth compared to the economic miracle of the newly industrialized countries (NICs) of Southeast Asia. By accelerating the entry of new social forces into the political arena, protest behavior can overstretch governmental capacity, besides cluttering the political agenda with demands with which the system is unable to cope. All of these contribute to the reduction of political coherence in the system, leading to a political crisis.[36] The rapid mobilization of the intermediate castes in the 1960s caused similar crises in many of India's regional governments. However, this experience of the efficacy of protest might have provided the confidence and organization with which the opponents of Mrs. Gandhi's "Emergency" in 1975 united in their opposition to authoritarian rule. In the last analysis, an important explanation for the resilience of Indian democracy is found in the complex political repertoire of local elites and in their remarkable blend of conventional modes of participation and collective protest.

Two caveats need to be specified here regarding the cross-cultural generalizability of these findings. In the first place, as we learn from the regional comparison undertaken in this study, the "Indian model" is not equally applicable all over India; for the policies of the regional government concerned, as well as its specific tradition of participation and administrative responsiveness, are crucial intervening variables. While the local elites of Gujarat have mastered the art of balancing negotiation and bargaining with collective protest, their counterparts in Orissa still perceive these as separate strategies. However, within India's federal structure, there is a tremendous amount of knowledge-sharing at the regional level. The eventual diffusion of the Gujarat model to other regions cannot therefore be ruled out.

Secondly, the high responsiveness of the Indian state, itself the outcome of a particular history of state formation, is a limiting factor on the cross-cultural validity of "room to maneuver" as a panacea for political legitimacy. The accommodative nature of the state in India facilitates the spread of transactional values that constrain the behavior of all actors engaged in the game of political bargaining. This specific attribute of the state in India originated with the success of the colonial state in linking its authority to the "elite entrepreneurial network" that characterized Indian society during the high noon of the empire.[37] The Congress Party,

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that Huntington (fn. 7, 1968) described as options for developing countries. Thus, those developing countries that opt for mass participation and populist economic policies must pay the penalty of high inflation, economic stagnation, and heavy foreign debts.

[36] Powell (fn. 13), 374.

[37] Richard Sisson and Stanley Wolpert, *Congress and Indian Nationalism: The Pre-Independence Phase* (Berkeley: University of California Press, 1988).

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product of the pas de deux between the Empire and the Indian middle classes, was eventually linked to the peasant base of the society under the Gandhian noncooperation movement, an enduring legacy that helped institutionalize participation as a cardinal value in modern Indian politics.

Within the limitations stated above, results presented here throw into doubt the general validity of the polarization thesis and of early modernization theories that assert that protest behavior necessarily leads to the decline of legitimacy of the state. It is more appropriate to think in terms of a critical but variable threshold of tolerance for protest behavior as a helpful factor for political legitimacy. To this end, enough power has to be conceded to local elites so that they may develop a stake in the institutions of the state. However, too much local power at the expense of the political center can obstruct the induction of new elites from previously powerless groups, causing, in the process, the transfer of authority from the state and the political arena altogether to those who have little patience or need for democratic niceties.

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Review Articles

OLIGARCHS AND CRONIES IN THE PHILIPPINE STATE

The Politics of Patrimonial Plunder

By PAUL D. HUTCHCROFT*

Belinda A. Aquino, *Politics of Plunder: The Philippines under Marcos*. Quezon City: Great Books Trading and the University of the Philippines College of Public Administration, 1987, 208 pp.

Robin Broad, *Unequal Alliance: The World Bank, the International Monetary Fund, and the Philippines*. Berkeley and Los Angeles: University of California Press, 1988, 352 pp.

Gary Hawes, *The Philippine State and the Marcos Regime: The Politics of Export*. Ithaca, N.Y.: Cornell University Press, 1987, 196 pp.

David Wurfel, *Filipino Politics: Development and Decay*. Ithaca, N.Y.: Cornell University Press, 1988, 361 pp.

Introduction

THE rise and fall of Ferdinand E. Marcos in the Philippines highlights the important distinction that needs to be made between changes in political regime and changes in the nature of the state. Despite nearly a decade and a half of authoritarian rule (1972–86), and several years devoted to the restoration of pre-martial law institutions, the role of the state in the postwar Philippine political economy has perhaps displayed more fundamental continuity than discontinuity: the more things change, the more they stay the same. Access to the state apparatus remains the major avenue to private accumulation, and the quest for "rent-

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seeking" opportunities continues to bring a stampede of favored elites and would-be favored elites to the gates of the presidential palace.[1] A key question, put very crudely by one observer, concerns "why the Philippines could not use the dictatorship as its springboard for economic development, as we witness in newly industrialized countries in Asia."[2] Alternatively, we need to ask why, despite two major regime changes in the postwar era (Marcos's declaration of martial law in 1972 and his overthrow in 1986), there has been so little change in the way in which dominant economic interests interact with the Philippine state.

The framework that best describes such continuity, this article suggests, derives from Max Weber's work on patrimonialism. Political administration—whether in the pre–martial law period or under martial law or in the Aquino years—is often treated as a personal affair.[3] The state apparatus is choked continually by an anarchy of particularistic demands from, and particularistic actions on behalf of, those oligarchs and cronies who are currently most favored by its top officials: one will obtain a highly coveted loan or import license; another will enjoy a stake in a cartelized industry unfettered by effective state regulation. As Weber writes of the patrimonial state:

> In general the notion of an *objectively defined* official duty is unknown to the office that is based purely upon personal relations of subordination. . . . Instead of bureaucratic impartiality and of the ideal—based on the abstract validity of one objective law for all—of administrating without respect of persons, the opposite principle prevails. Practically everything depends explicitly upon the personal considerations: upon the attitude toward the concrete applicant and his concrete request and upon purely personal connections, favors, promises, and privileges.[4]

Under the martial law regime Marcos attempted to centralize a largely decentralized patrimonial polity and thereby undercut competing centers of power. The most threatening members of the old oligarchy were tamed, and the rising cronies were set loose in "new field[s] of patrimonialism" (Wurfel, 258). But in pursuing a program of selective expropri-

[1] For a neoclassical perspective on competitive rent seeking, see Anne O. Krueger, "The Political Economy of the Rent-Seeking Society," *American Economic Review* 64 (June 1974), 291–303.

[2] Kenji Koike, "Dismantling Crony Capitalism under the Aquino Government," in Aiichiro Ishii et al., *National Development Policies and the Business Sector in the Philippines* (Tokyo: Institute of Developing Economies, 1988), 255.

[3] In "the genuinely patrimonial office," Weber writes, "the political administration . . . is treated as a purely personal affair of the ruler, and political power is considered part of his personal property." Weber, *Economy and Society*, ed. Guenther Roth and Claus Wittich (New York: Bedminster Press, 1968), 3:1028–29. Unless otherwise specified, all subsequent references are to vol. 3.

[4] Ibid., 1041; emphasis in original.

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ation, creation of export monopolies, and promotion of favored associates, or "cronies," Marcos was merely expanding on earlier patterns of patrimonial plunder. Particularistic demands continued to prevail, with the difference that one ruler was appropriating a much larger proportion of the state apparatus toward the service of his own private interests. As Emmanuel de Dios puts it, "The crony phenomenon was no more than a logical extension and culmination of the premartial law process of using access to the political machinery to accumulate wealth."[5] In fact, one might say that Marcos streamlined the process: just as Weber explains that patrimonial office can "develop bureaucratic features with increasing functional division and rationalization"[6] and yet not undermine its distinctly patrimonial character, Marcos could undertake bureaucratic reform and enlist the aid of technocrats without undermining his own agenda of patrimonial accumulation.

A focus on patrimonial aspects of the state,[7] I argue, will lead to a clearer understanding of important characteristics of the Philippine political economy. It also brings a greater sense of coherence to many disparate aspects of Marco's rule, including his motivations for declaring martial law, his efforts to undercut the power bases of rival patrons, his reliance upon loyal friends and family, his promotion of crony interests and export monopolies, his extravagant use of foreign loans, and his choice of economic strategies.

This is not to obscure critical differences between the postcolonial Philippines and the economies, societies, and polities analyzed by Weber many decades ago. Most importantly, Weber's notion of historical progression does not anticipate the "neopatrimonialism" that comes in the wake of a more "rational-legal" colonial state. He likely would have con-

[5] De Dios, "A Political Economy of Philippine Policy-Making," in John W. Langford and K. Lorne Brownsey, eds., *Economic Policy-Making in the Asia-Pacific Region* (Halifax, Nova Scotia: Institute for Research on Public Policy, 1990), 114.

[6] Weber (fn. 3), 1028.

[7] My definition of the state derives from the incisive discussion of postcolonial African states found in Robert H. Jackson and Carl G. Rosberg, "Why Africa's Weak States Persist: The Empirical and the Juridical in Statehood," *World Politics* 35 (October 1982), 1–24. They go beyond Weber's classic "empirical" definition of the state ("a corporate group that has compulsory jurisdiction, exercises continuous organization, and claims a monopoly of force over a territory and its population, including 'all action taking place in the area of its jurisdiction' ") (p. 2) and argue the need to incorporate also the "juridical" definition of statehood, that which is recognized by the "international society of states." In Europe, they argue, "empirical statehood preceded juridical statehood or was concurrent with it." In Black Africa and other parts of the Third World, however, there has been a very different sort of state-building process: "External factors are more likely than internal factors to provide an adequate explanation of the formation and persistence of states" (p. 23). "A political system may possess some or all of the empirical qualifications of statehood, but without the [internationally recognized] juridical attributes of territory and independence it is not a state" (p. 13).

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sidered it particularly anomalous to find patrimonial features in the former colony of the world's most advanced industrial power. As will be discussed below, patrimonial features appear to have become more pronounced *after* independence in 1946, when the economic role of the central state expanded.[8] Second, except during the Marcos years, the postwar Philippines has not had the clearly identifiable central "ruler" that Weber expected to see in patrimonial polities. Instead, a nominally strong president (see Wurfel, 76–88) of relatively short tenure must make major accommodations to "local patrimonial lords"[9] who possess economic power and assume quasi-military and quasi-judicial functions in their localities and are represented at the national level in a powerful legislature.[10]

Third, while Weber's patrimonial polities were largely self-contained, the Philippine political economy depends upon external funds for its sustenance—and Marcos's own personal strategies cannot be understood except in a world of Swiss banks and Manhattan real estate. And finally, Weber expected to see patrimonialism in economies that are not yet fully monetized and where the means of communication and transport are poorly developed. While this may partially describe some of the subnational "polities" controlled by local autonomous lords, it does not describe the national-level polity on which I am focusing. Weber would not have imagined the strengthening of patrimonial features in a "modernizing" economy. My use of the term "patrimonial features" rather than "patrimonialism" is meant to highlight the transplanting of Weber's framework into a setting that he did not anticipate.[11]

[8] This parallels Guenther Roth's discussion of a "detraditionalized" patrimonialism that "becomes the dominant form of government" in "some of the newer states." Even in industrialized countries, he writes, this "personal rulership . . . is apparently enlarged by the extension of government functions"; Roth, "Personal Rulership, Patrimonialism, and Empire-Building in the New States," *World Politics* 20 (January 1968), 194–206, at 196, 199.

Weber (fn. 3), 1002–3, discusses the historical "march of bureaucracy."

[9] Weber (fn. 3), 1088 and 1059.

[10] The formation and persistence of a central state that is unable to exert authority effectively over "local lords" can only be understood in light of external factors: (1) an American colonial heritage that aborted what might have been a more "natural," Latin American–style caudillo route to state formation and superimposed a weak central state over a polity of quite autonomous local centers of power; and (2) an "international society of states" that helps ensure the survival of central states that cannot, empirically, claim control over much of their territories. See Benedict Anderson, "Cacique Democracy and the Philippines: Origins and Dreams," *New Left Review* 169 (May–June 1988), 3–33, at 9–13; and Jackson and Rosberg (fn. 7).

[11] Weber (fn 3), of course, develops "pure" categories and then permits hybrid characterizations of his historical cases. In his analysis of bureaucratic systems, for example, he notes cases with "strong patrimonial elements" and "patrimonial admixtures" (p. 964). It is in this spirit that I use the terms "patrimonial features" and "patrimonial elements."

My analysis has benefited from two works that provide excellent, historically based analyses of patrimonial dynamics in other postcolonial settings: Harold Crouch, "Patrimonialism and Military Rule in Indonesia," *World Politics* 31 (July 1979), 571–87; and Thomas M. Cal-

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As the following survey of current scholarship on the Marcos regime attempts to show, little attention has been paid to the patrimonial features that endure—across regimes—within the Philippine state. By developing a clearer understanding of certain features that Weber best describes, we can explain more adequately how dominant economic interests have continued to plunder the Philippine state.

Approaches to Understanding the Marcos Regime

Five years after the downfall of Marcos, scholars of Philippine politics have yet to achieve even minimal consensus on the proper characterization of his authoritarian regime. Some see Marcos as largely an aberration; Belinda Aquino[12] writes that "while corruption has always been part of Philippine political life, it reached epidemic and flagrant proportions during the Marcos years" and displayed "a certain pathological dimension" (pp. 1, 4). Her examination of 2,300 pages of the "Marcos Papers" leads her to conclude that systemic explanations alone are inadequate to understanding the "politics of plunder" under Marcos; one must also "look at the role of individual dictators themselves in the destruction of their own societies" (p. 83).

A prominent Marxist scholar, Francisco Nemenzo, sees the "Marcos state" as "analogous to . . . 'Bonapartism.' It achieved 'relative autonomy' from the ruling class with the support of the army and a pliable mass organization." Louis Bonaparte and Marcos, he argues, faced "remarkably similar" circumstances: "intense contradictions in the ruling class and a mighty challenge from below, resulting in the paralysis of the old state machine."[13] Similarly, business journalist Rigoberto Tiglao argues that in the early years of martial law, "the ruling elite completely capitulated to the dictatorship," while enjoying an exceptionally profitable period in their enterprises. He sees the origins of the Marcos regime as, in part, an elite project:

> While partly representing Marcos's obsession to keep his hold on the Philippine presidency, the dictatorship would also represent the social project

laghy, *The State-Society Struggle: Zaire in Comparative Perspective* (New York: Columbia University Press, 1984). Some scholars find patrimonial features in modern First World bureaucracies as well. See the very insightful "revisionist" approach to Weber's ideal-typical bureaucratic state in Lloyd I. Rudolph and Susanne Hoeber Rudolph, "Authority and Power in Bureaucratic and Patrimonial Administration: A Revisionist Interpretation of Weber on Bureaucracy," *World Politics* 31 (January 1979), 195–227. Robin Theobald, by contrast, seeks to confine the patrimonial framework to underdeveloped economies; see Theobald, "Patrimonialism," *World Politics* 34 (July 1982), 548–59.

[12] "No relation to President Corazon C. Aquino," it is noted in the foreword to her book.

[13] Nemenzo, "The Left and the Traditional Opposition," in R. J. May and Francisco Nemenzo, eds., *The Philippines after Marcos* (New York: St. Martin's Press, 1985), 50.

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> of the dominant sections of the Philippine ruling elite to break the dead end it faced in the early 1970s. Only towards . . . the late 1970s would the elite realize the Frankenstein monster it had helped create which threatened to eat them up one by one and to drive the entire nation into an economic and political holocaust.[14]

A third school emphasizes the heightened role of external forces, particularly the United States, the International Monetary Fund, the World Bank, and foreign capital. Here, Marcos is often portrayed as acting on behalf of foreign economic and strategic interests. Robert Stauffer, for example, wrote in 1979 that "the new regime pushes the nation to accept the increasing degree of direction imposed from the agencies of the metropolitan nation and the multilateral institutions over which it has controlling influence."[15] Robin Broad follows in this dependency tradition, with a detailed examination of how the IMF and the World Bank, allied with the Marcos-supported "transnationalist" technocrats within the Philippine state, used two loans from the World Bank to outmaneuver "economic nationalists" in the government and promote export-oriented industrialization. Between 1979 and 1982, she argues, industrial and financial sector loans led to "a reshaping of the entire Philippine political economy and of the ways major institutions and social groups within it meshed" (p. 162).

Gary Hawes and David Wurfel adopt more varied approaches. Hawes argues that "martial law marks the emergence of a new, transnational coalition of class interests," and he seeks to determine exactly which class segments were dominant in the Philippine state. He sees a state that "was able to take actions that were opposed to the interests of one class segment—import-substitution manufacturers"—and that also defended "the general interests of capital." But Hawes does not try to explain Marcos entirely in terms of the transnational coalition and class segments: "Some actions taken by Marcos," he writes, "can be interpreted only in the context of domestic politics and his attempts to solidify his own regime." For example, Marcos's promotion of cronies and his creation of export monopolies was in clear opposition to World Bank, IMF, and U.S. advice. We shall see that an important part of Hawes's analysis is "the key distinction between state and regime" (pp. 52–53).

Wurfel's work is as wide-ranging in its framework as it is comprehensive and balanced as a history of recent Philippine politics. While ideas

[14] Tiglao, "The Consolidation of the Dictatorship," in Aurora Javate-de Dios et al., eds., *Dictatorship and Revolution: Roots of Peoples's Power* (Metro Manila: Conspectus Foundation Incorporated, 1988), 27, 31 (quote from p. 27).

[15] Stauffer, "The Political Economy of Refeudalization," in David A. Rosenberg, ed., *Marcos and Martial Law in the Philippines* (Ithaca, N. Y.: Cornell University Press, 1979), 217.

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of modernization, political development, and legitimacy most influence Wurfel's approach, his work contains many other ingredients as well. The analysis of the political economy under Marcos, for example, cooks up a veritable stew of theoretical terms and labels: "patrimonial authoritarianism," centralized patrimonialism," and "neopatrimonialism"; "authoritarian facism" and "corporatism"; "authoritarian-technocratic"; "neocolonialism" and "dependency"; "developmental autocrat"; "superpatron," and so on. Wurfel's purpose seems not to arrive at any single theoretical formulation but rather to provide a careful descriptive account of Filipino politics—and indeed, his book has already become the standard text on the subject. Within Wurfel's varied theoretical framework, one finds a valuable picture of the complex dynamics that characterized Marcos's Philippines: the personalistic nature of the regime, the opportunities and pressures coming from external forces, and the changes in intraelite and elite-mass relations.

In arguing the utility of the patrimonial framework, this essay examines four key aspects of recent Philippine political economy in relation to the books under review: (1) the motivations behind the declaration of martial law; (2) the role of technocrats, international multilateral institutions, and foreign indebtedness in the choice of economic strategy; (3) the rise of the cronies and the Marcos relatives; and (4) the resurgence of the "old oligarchy" in the early 1980s. As an initial step, however, it is important to delineate the critical historical characteristics of the relationship between state and oligarchy in the Philippines.

State and Oligarchy in Historical Perspective

While scholars may still debate the nature of the Philippine state under Marcos, there is little dispute that prior to 1972 Philippine state institutions were weak vis-à-vis dominant interests. As Willem Wolters explains:

> The Philippine state ... which emerged during the late-Spanish and American colonial periods, was characterized by a limited degree of centralization and a weak state apparatus. The land-owning elite in the provinces prevented the development of a strong central state. The classic state monopolies known from European history, namely those over violence and taxation, have never been fully developed in the Philippines.[16]

Unlike in Thailand and Indonesia, where "bureaucratic-aristocratic" elites (descendant of precolonial kingdoms) were strengthened by the

[16] Wolters, *Politics, Patronage and Class Conflict in Central Luzon* (Quezon City: New Day Publishers, 1984), 3.

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nineteenth-century commercialization of agriculture, the same process in the Philippines "gave rise to a new class of . . . landowners who were quite separate from the bureaucracy."[17] Their economic base was firmly *outside* the state. From this independent base, however, they came to exercise powerful—yet particularistic—control over elements of the state apparatus through a spoils system that had become well entrenched at the national level early in this century.[18] Benedict Anderson explains that representative institutions introduced by the Americans led to the first creations of "a solid, visible 'national oligarchy,' " and through these institutions the oligarchy enjoyed suzerainty over the bureaucratic apparatus: "Civil servants frequently owed their employment to legislator patrons, and up to the end of the American period the civilian machinery of state remained weak and divided."[19] This control of the bureaucracy, it must be emphasized, was exercised from an independent societal base: while the oligarchy swamped the legislature, it showed little interest in directly assuming bureacratic posts. Despite significant growth in the bureaucracy, a bureaucratic elite never emerged.[20]

External support has been vital to oligarchic hegemony over the Philippine state and society. The consolidation of the oligarchs' position came under American colonial sponsorship, but even after 1946 both state and oligarchy remained highly dependent upon U.S. aid, investment, and counterinsurgency support. Three years after independence the Philippine state nearly collapsed, in large part because of its lack of tariff autonomy vis-à-vis the former colonial power and its inability to extract revenue from the oligarchy. The military and economic rescue operation came from Washington. As Frank Golay explains:

> By the end of 1949 the government seemed willing to let the military go unpaid and the educational system wither for want of funds, and even to succumb to the Huk rebellion, rather than face up to minimum responsibility for governmental functions. . . . [There was] mounting evidence that the body politic was incapable of action in the interests of all Filipinos. It

[17] Harold Crouch, *Economic Change, Social Structure and the Political System in Southeast Asia: Philippine Development Compared with the Other ASEAN Countries* (Singapore: Institute of Southeast Asian Studies, 1985), 10–18, quote at 10.

[18] See Onofre D. Corpuz, *The Bureaucracy in the Philippines* (Manila: University of the Philippines Institute of Public Administration, 1957), 249.

[19] Anderson (fn. 10), 11–12. One of the best prewar illustrations of an oligarchic raid on the state machinery is the sugar bloc's unbridled assault on the loans department of the newly formed Philippine National Bank, between 1916 and 1920. See Peter W. Stanley, *A Nation in the Making: The Philippines and the United States, 1899–1921* (Cambridge: Harvard University Press, 1974), 233–48.

[20] Daniel F. Doeppers, *Manila, 1900–1941: Social Change in a Late Colonial Metropolis*, Monograph Series No. 27 (New Haven: Yale University Southeast Asia Studies, 1984), 72. See also Paul D. Hutchcroft, "A State Besieged: Historical Patterns of State-Elite Relations in the Philippines," *Issues and Letters* (Philippine Center for Policy Studies) 1, no. 4 (1990), 1–10.

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> is a depressing commentary that the reforms, when they did come, were to a considerable extent installed from the outside as a result of the Bell Mission and its recommendations.[21]

In part because the grantor of independence was a rising superpower—not a declining European power, as elsewhere in Southeast Asia—it was especially difficult for the Philippines to emerge as a truly sovereign nation. Even into the Aquino era, in fact, close relations between oligarchs and Washington policymakers endure. Throughout the postwar years oligarchs have needed external support to sustain an unjust, inefficient, and graft-ridden political and economic structure; Washington, in return, has received unrestricted access to two of its most important overseas military installations.

After independence, I will argue, certain developments led to the strengthening of patrimonial features, or a blurring of the distinction between "official" and "private" spheres.[22] Although further research is needed, we can make the following observations. First, personal contacts became even more important for entrance into the central bureaucracy, and the role of competitive examination became relatively marginal. As Wurfel reports, congressmen felt they were spending "most of their time . . . running an employment agency." The bureaucracy expanded rapidly, especially at election time (pp. 80, 85).[23]

Second, in the countryside, patron-client relations were undergoing significant changes. Patrons, who historically had relied on their own local (often land-based) resources, found expanded opportunities in obtaining external and "office-based" resources. This did not diminish the power of local oligarchs vis-à-vis the central state but merely increased the role of state resources *within* long-standing patron-client relationships. In the context of national electoral system, these local oligarchs retained enormous power to milk the central state's "particularistic distributive capacity."[24]

[21] Golay, *The Philippines: Public Policy and National Economic Development* (Ithaca, N.Y.: Cornell University Press, 1961), 71–72.

[22] As Weber (fn. 3) writes, "The patrimonial office lacks above all the bureaucratic separation of the 'private' and the 'official' sphere" (p. 1028).

[23] There are two explanations commonly given for this postindependence change: (1) increased corruption in the bureaucracy during the Japanese occupation and the early postwar years; and (2) the birth of the two-party system, injecting more partisan considerations into the spoils system. See Corpuz (fn. 18), 224–25, 237–48. A third reason is perhaps most important: what Anderson calls the "American ringmaster for domestic political competition" played a less prominent role after 1946; Anderson (fn. 10), 14.

[24] James C. Scott, "Patron-Client Politics and Political Change in Southeast Asia," in Steffen W. Schmidt et al., eds., *Friends, Followers and Factions* (Berkeley and London: University of California Press, 1977), 137 and 143. Thomas C. Nowak and Kay A. Snyder explain that the "growing penetration of national bureaucratic institutions into local areas heightens the

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Third, as oligarchic interests diversified (beyond agriculture, to include also commerce, manufacturing, and finance), access to the state machinery became more important than ever for the creation of wealth.[25] In the period of import and exchange controls in the 1950s, for example, rent-seeking entrepreneurs flooded the halls of the Central Bank in search of the dollar allocations that would enable them to reap windfall profits in producing for a protected domestic market. As long as such "rents" can be obtained, Manuel Montes points out, rent seekers find it more important to maintain their government connections than to concern themselves with "the internal efficiencies and investments" of their firms.[26] Indeed, one study of the textile industry in the 1950s states that entrepreneurs "considered effort at the Central Bank as important as [effort] at their plants."[27]

These postwar developments—in the central bureaucracy, local patron-client relations, and rent-seeking ventures—greatly heightened the role of the state in private accumulation and strengthened the patrimonial features of the Philippine state. Because these patterns became more pronounced in recent times, as access to the state began to be more important for securing patronage and rents, the term "neopatrimonial" best captures the historical sequence. These postwar developments occurred in the midst of important continuity in the relative strengths of state and oligarchy: whether colonial or postcolonial, the civilian state apparatus remained "weak and divided" in the face of powerful oligar-

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dependence of the local elite upon office-based resources"; Nowak and Snyder, "Clientelist Politics in the Philippines: Integration or Instability," *American Political Science Review* 68 (September 1974), 1147–70, at 1151. See also Brian Fegan's discussion of how the closing of the land frontier made civil service positions a more important element of patron-client largesse in the postwar years—and led to a process of "bureaucratic involution" on the national level; Fegan, "The Social History of a Central Luzon Barrio," in Alfred W. McCoy and Ed. C. de Jesus, eds., *Philippine Social History: Global Trade and Local Transformations* (Honolulu: University Press of Hawaii, 1982), 119–24. An influential early work on patron-client relations in the Philippines is Carl H. Lande, *Leaders, Factions, and Parties: The Structure of Philippine Politics*, Monograph Series No. 6 (New Haven: Yale University Southeast Asia Studies, 1966).

[25] As one scholar wrote in the 1950s, "Business is born, and flourishes or fails, not so much in the market place as in the halls of the legislature or in the administrative offices of the government"; Thomas R. McHale, "An Econecological Approach to Economic Development" (Ph.D. diss., Harvard University, 1959), 217, quoted in Laurence Davis Stifel, *The Textile Industry: A Case Study of Industrial Development in the Philippines*, Data Paper Number 49 (Ithaca, N.Y.: Southeast Asia Program, Cornell University, 1963), 50.

[26] The "rent-seeking society" in the Philippines is further discussed in Montes, "The Business Sector and Development Policy," in Ishii et al. (fn. 2), 23–77. As he points out, "rents" can include "protection from competition through quotas, tariffs, and measured capacities, subsidized credit, access to foreign reparations, loans, and grants. . . . [I]n a rent-seeking society, the operations of the state determine the assignment of and the continued enjoyment of economic advantages" (p. 65).

[27] Stifel (fn. 25), 104.

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chic interests. Moreover, even as raids on state resources increased in importance, the oligarchy retained its firm economic base *outside* the state.

Any serious analysis of the Philippine state, then, must paradoxically begin *outside* the state: first, because the patrimonial nature of the system greatly blurs the distinction between "official" and "private" that is found in Weber's genuinely bureaucratic state; and second, because a generally incoherent bureaucracy (with a poorly developed bureaucratic elite) has rarely been able to counter the power of the oligarchy over the state apparatus. Put another way, in relations between the state and the oligarchy, the state is far more likely to be *acted upon* than to be an *independent actor*. For this reason, we must understand the nature of the dominant interests that pursue their particularistic agendas within the Philippine state.[28]

The Declaration of Martial Law

A focus on dominant interests is particularly important for a discussion of the declaration of martial law. Hawes's explantion rests largely upon an analysis of "elite segments" and the transition to a new model of development. "Elite cohesion broke down during the 1960s," he argues, as the result of the increasing power of import-substitution industrialists, "the influx of foreign investors," and the heightened participation of IMF, the World Bank, and the multinationals. "One segment, broadly nationalist . . . , favored protection for domestically owned industry and curbs on foreign investment," while the other segment favored "an open economy" (pp. 36–37). Marcos, he argues, was in the second camp, and with the declaration of martial law in 1972, he "resolved the breakdown in

[28] Theda Skocpol writes that "states conceived as organizations claiming control over territories and people may formulate and pursue goals that are not simply reflective of the demands or interests of social groups, classes, or society. This is what is usually meant by 'state autonomy.' Unless such independent goal formulation occurs, there is little need to talk about states as important actors"; Skocpol, "Bringing the State Back In: Strategies of Analysis in Current Research," in Peter B. Evans et al., eds., *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985), 9.

While it may be rare to speak of the Philippine state as an independent actor vis-à-vis dominant interests, the state nevertheless remains central to any comprehensive analysis of the country's political economy. As noted at the outset, access to the state apparatus is the primary means of private accumulation. It is indeed paradoxical that a "weak" state should be a central subject of analysis (and, as noted above, that analysis of the state must begin outside the state). The state's important role seems to derive primarily from responsibilities it has necessarily assumed in handling the country's *external* economic relations: it disburses aid and loans received from abroad and sets policies on foreign exchange, trade, and investment. In such a paradoxical situation, we must *begin* our analysis with an examination of the nature of dominant interests and proceed from there to develop a clearer picture of the state with which they interact.

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elite cohesion" (p. 20) and "cleared the way for . . . export-led industrialization" (p. 45). Wurfel seems at points to concur with this analysis (pp. 59–60, 192, 238).

A number of problems emerge from this interpretation of events. First, if Hawes is correct that the state took actions against the import-substitution industrialization (ISI) manufacturers and was able to "punish segments of the bourgeoisie opposed to . . . export-oriented industrialization [or EOI]" (p. 14), we should be able to see this in the choice of targets after the declaration of marital law. In fact, although outspoken nationalists such as Senator Jose Diokno were arrested, there is no evidence of a concerted attack against businessmen who produced for the domestic market. In true patrimonial fashion, Marcos's targets after the declaration of martial law were those rival clans who threatened his household, *not* "elite segments" standing in the way of a new approach to economic development.[29] While Marcos claimed to be attacking the oligarchs, his attacks were actually limited to relatively few of their number, including "his two most potent competitors, Benigno Aquino and 'sugar baron' Eugenio Lopez" (Wurfel, 21). As historian Alfred McCoy explains, Marcos

> *modified but did not alter the familial basis of business and politics*. . . . With considerable dexterity, Marcos employed armed force, masked with law, to pursue the main aim of his rule—changing the composition of regional and national elites.[30]

The second major problem with Hawes's analysis is that it posits elite cleavages *based on clear differences of economic interest*. Such cleavages are, in fact, difficult to find. Stauffer tried to locate them but could not. After reading the journals of the major business associations of this period, he concludes that while individual businessmen supported nationalist causes, "none of the business associations supported the nationalists. . . . [T]hese groups largely accepted the need to rely heavily on foreign loans and investments."[31] Third, ISI was not undermined by martial law, and

[29] Even Hawes seems to acknowledge this, despite the apparent inconsistency with his thesis about "the state" acting against "elite segments": "Occasionally individual families were singled out and made an example so that others might see what fate awaited those deemed to be enemies of the president" (p. 127).

[30] McCoy, "The Lopez Family: From Provincial Elite to National Oligarchy," in Michael Cullinane, ed., *Philippine Political Families* (Ann Arbor, Mich.: Center for South and Southeast Asia, University of Michigan, forthcoming); emphasis added.

[31] Stauffer (fn. 15), 193. Behind Hawes's "elite segments" seems to be the notion that production for the domestic market (or import-substitution industrialization) is generally nationalist, while production for external markets is not (see p. 45). The difficulty here is that foreign capital has played a central role in Philippine ISI from the beginning (which Hawes actually acknowledges, p. 33). See Sylvia Maxfield and James H. Nolt, "Protectionism and the Internationalization of Capital: U.S. Sponsorship of Import Substitution Industrializa-

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EOI did not emerge triumphant. As shall be discussed below, the strategy was one of "debt-driven growth";[32] as long as the system was being lubricated by external funds, there was no need to make any hard decisions regarding contending economic paths.

Resolving the difficulties in Hawes's analysis requires a clearer understanding of the basis of intraelite competition in the pre–martial law years. The basic building blocks of the political economy of the Philippine oligarchy are not "elite segments" but extended families. Hawes recognizes the particularistic nature of the system, when he speaks of the "tendency of the state to respond in preferential, partisan fashion to demands from segments of the bourgeoisie" (p. 32). But the state is much more likely to be responding to families than to any other coherent segments. Philippine business associations are notoriously weak and poorly institutionalized, and its members know that the way to make money is to gain privileged access to the government and then "to exclude information from each other."[33]

Both Hawes and Wurfel acknowledge the importance of family groupings, though they nonetheless persist in arguing the presence of other definable elite segments. Hawes admits that "division of the bourgeoisie may be more important analytically than in real life, because many of the major families of the Philippines have economic empires

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tion in the Philippines, Turkey and Argentina," *International Studies Quarterly* 34 (March 1990), 49–81.

Moreover, Montes points to the commonality of interest between Filipino firms and foreign firms that are protected by the same "tariff walls and protectionist measures"; Manuel F. Montes, "Financing Development: The 'Democratic' Approach versus the 'Corporatist' Approach in the Philippines," in Miguel Urrutia et al., eds., *The Political Economy of Fiscal Policy* (Tokyo: United Nations University, 1989), 98.

Interestingly, if one is looking for coherent segments of capital based on different economic interests, it can best be found in analyzing *foreign* capital. There, Montes points out, one can see a clear differentiation between foreign capital inside the tariff walls and foreign capital located outside the country (p. 98).

[32] Montes (fn. 31), 90.

[33] Interview, Wilhelm G. Ortaliz, former director, Bureau of Industrial Coordination, Ministry of Industry, April 26, 1989. Ortaliz explained that his job during the early 1980s was to "strengthen industrial associations within the private sector. . . . [B]ut it was hard for the government to know who to work with." He described the largest business association, the Philippine Chamber of Commerce and Industries (formed in the late 1970s), as a mere "post office" of diverse concerns, very "personality-oriented" and unable to formulate common positions on major issues.

Economist Montes similarly explains that government–private sector "consultations are dominated by the need to protect individual interests. . . . The private sector does not have a well-defined interest as a private sector (or as larger groups within the private sector). This protecting of individual interests also involves the need to have advance information of the government's intentions. . . . Access to information tends to be individual, based on kinship and other ties"; see Montes (fn. 31), 108.

Indeed, one can say that quasi-patrimonial features (mirroring those found at the level of the state) are found within business associations, as personal interests usually win out over associational interests.

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that transcend these analytical categories" (p. 135; see also Wurfel, 57). In real life Philippine firms tend to be closely held within diversified family groups, many of which include a bank whose loan portfolio can be milked by family enterprises. Loyalty is primarily to the family grouping, not to any of its agricultural, industrial, commercial, real estate, or financial elements.[34]

The primary tensions late in the pre–martial law period, then, have little to do with the "elite segments" described by Hawes. De Dios provides the best analysis of the situation:

> By 1970 . . . three sets of circumstances combined to make matters come to a head. The first was a worsening economic crisis in the form of severe balance of payments difficulties provoked by heavy electoral spending during the presidential elections. . . . The resulting inflation ate into real incomes . . . and led to worker-student unrest. . . . [Second,] the uncertain status of U.S. assets in the country, owing to the impending termination in 1974 of parity rights given to U.S. citizens. . . . [And third was Marcos's desire for a third term as president.] The split in the Filipino elite had reached crisis proportions, owing mainly to this bid for political and financial hegemony by the Marcoses and Romualdezes (who were relative upstarts) as against the more established political clans such as the Lopezes, Osmenas, Aquino-Cojuangcos, and Jacintos.[35]

There *was* intensifying intraelite competition, but it manifested itself largely along clan lines. Wurfel writes that each biennial campaign in the 1960s led to "a few hundred political deaths" (p. 103). Vote buying was rampant, and "private armies" were a central component of many campaign organizations. The 1969 elections were a turning point in the developing crisis, as all candidates (led by Marcos, who raided the public treasury) spent the equivalent of nearly one-fourth of the national budget (Wurfel, 100). As Marcos's defeated opponent grumbled, "[We were] out-gooned, out-gunned and out-gold."[36]

The economy simply could not support the political system. Consis-

[34] Nowak and Snyder (fn. 24) explain that "diversification of familial economic power decreases susceptibility to fluctuations in world prices, potential loss of privileges in the U.S. market, and local policy changes such a devaluation, which hurt some sectors more than others" (pp. 1148–49). They also note the important, but often neglected, role of urban real estate in diversification strategies.

There is one other reason for diversification that should be added to their list: in an economy in which wealth depends to such a large degree on access to the state machinery, diversification helps to guard against the uncertainties of change in political leadership. A family cannot depend exclusively on investments assisted by *current* friends in the Palace, for example, because in the *next* administration those investments may be jeopardized by a lack of necessary connections in key government offices.

[35] De Dios (fn. 5), 112.

[36] Jose Veloso Abueva, "The Philippines: Tradition and Change," *Asian Survey* 10, no. 1 (1970), 56–64, at 62.

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tent with James Scott's model of "patron-client democracy," the state had a weak revenue base but was nonetheless faced with "intense distributive pressures . . . especially in election years."[37] Despite increasingly scarce national patronage resources, there was a proliferation in the number of local candidates.[38] Moreover, the economy was stagnating: the "easy phase" of ISI had long been exhausted, and export growth had been unimpressive for the overall period since decontrol (of imports and exchange) in 1962.[39] The result was a major balance of payments crisis in the wake of the 1969 elections, followed by a devaluation that fueled inflation. This, in turn, heightened popular demands for change.[40] In a period of constricted opportunity, the oligarchs became especially vicious in clawing for the booty of state. "American-era inhibitions slackened," Anderson notes, and "it was only a matter of time before someone would break the rules and try to set himself up as Supreme Cacique for Life."[41]

External Resources and the Agenda of Economic Reform

In the short term martial law resolved the overload on the state's "distributive capacity": the abolition of Congress eliminated expensive intra-elite electoral competition, and both heightened repression and the curtailment of elections restricted demands from the masses.[42] As will be discussed below, Marcos attempted to centralize a hitherto decentralized patrimonial polity and thereby achieve tighter control over access to the state apparatus. At the same time he worked on the supply side problems of the system's overload and obtained new resources internationally. This was "the most important task" of the regime's foreign policy, remarks Wurfel (p. 190), and for a full decade Marcos adroitly managed

[37] Scott (fn. 24), 143. The revenue problems are systemic:

> A regime that is dependent on its particularistic distributive capacity . . . [will] have a most difficult time raising revenue from internal taxation. A rise in direct taxation would threaten their base of support, and in fact, they are notorious for the undercollection of revenues due them, since favors to their clients often take the form of either leaving them off local tax rolls or ignoring debts they owe the government. (p. 143)

[38] Nowak and Snyder (fn. 24), 1151–54.

[39] See Romeo M. Bautista, John H. Power, and Associates, *Industrial Promotion Policies in the Philippines* (Metro Manila: Philippine Institute for Development Studies, 1979), 5–9; and Montes (fn. 31), 88–89.

[40] As Scott (fn. 24) explains:

> Democratic regimes which must cater to the strong distributive pressures generated by their clientele are thus particularly vulnerable to the vagaries of world prices for primary products on which their budgets depend. . . . [A] stagnating economy or declining world prices threatened the entire structure they had pieced together. (p. 143)

[41] Anderson (fn. 10), 18.

[42] See Nowak and Snyder (fn. 24), 1170.

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to extract enormous sums from the IMF and World Bank, bilateral donors, and commercial banks. The system was lubricated once again.

Marcos began martial law with the good fortune of high international commodity prices, which "generated windfall profits for the Philippine economic elite, dispelling whatever doubts it still had about the Marcos dictatorship."[43] Later in the decade the regime took full advantage of the availability of cheap petrodollars at negative real rates of interest.

But good fortune alone cannot explain the regime's success. Two generations of Filipino oligarchs had tapped American patronage to boost their personal positions domestically,[44] but among postwar leaders Marcos displayed particularly keen insights into the nature of the neocolonial bond. As a man whose primary loyalty was to personal interests rather than to any state or national interests—however defined—Marcos saw that American strategic needs presented ample opportunity for private gain. A long history of American manipulation of Philippine affairs notwithstanding,[45] Marcos knew that neocolonial manipulation can be a two-way street.[46] "More clearly than anyone else," Anderson explains, he understood "that for Washington the Philippines were like Cyprus for London."[47] Especially at a time when the military bases were offering such important support to U.S. forces in Vietnam, Marcos could approach Washington aid givers from a position of strength. Indeed, the U.S. rewarded martial law with very large increases in grants and loans (Wurfel, 191).

At the same time close relations with the U.S. assisted Marcos in his efforts to cultivate close relations with the IMF and the World Bank.[48] He brought a corps of technocrats into his government and promulgated a series of reform agendas that ensured the steady flow of multilateral and commercial bank loans. In hosting the annual IMF/World Bank meeting in Manila in 1976, the regime apparently dazzled its guests. Even into the early 1980s, explains an American banker, "Filipinos had a special hold on these institutions. . . . Cesar Virata [minister of finance

[43] Tiglao (fn. 14), 38.

[44] For enlightening scholarship on this process, see Ruby R. Paredes, ed., *Philippine Colonial Democracy*, Monograph No. 32 (New Haven: Yale University Southeast Asia Studies, 1989).

[45] For a particularly well documented account of this history, see Stephen Rosskamm Shalom, *The United States and the Philippines: A Study of Neocolonialism* (Philadelphia: Institute for the Study of Human Issues, 1981).

[46] Raymond Bonner gives a good account of how the Marcoses maneuvered in Washington circles; see Bonner, *Waltzing with a Dictator: The Marcoses and the Making of American Policy* (New York: Times Books, 1987).

[47] Anderson (fn. 10), 21.

[48] Stephan Haggard, "The Political Economy of the Philippine Debt Crisis," in Joan Nelson, ed., *Economic Crisis and Policy Choice: The Politics of Adjustment in the Third World* (Princeton: Princeton University Press, 1990), 219.

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and, after 1981, also prime minister] and other Marcos technocrats were intensely admired figures."[49] In assessing this cozy relationship, the basic question that observers debate is whether Marcos ever genuinely adopted the reform agendas of the World Bank, the IMF, and his technocrats, *or* whether he instead merely used their agendas as a means of aggrandizing his own regime. There is no question that he gave the Pentagon full run of the bases—but did he give the multilateral institutions and the technocrats full run of the economy?

Broad, in her analysis of two World Bank loans made between 1979 and 1982 (a structural adjustment loan for the industrial sector and an apex loan for the financial sector), stresses a unity of interests between Marcos and "the corps of Western-educated technocrats who underpinned [him]" (p. 16). She also asserts the strength of the technocrats and the World Bank within the Marcos regime, when, for example, she writes: "As early as mid-1981, Marcos announced, 'I'm going to sit back and let the technocrats run things' as a follow-through on World Bank suggestions that its favored technocrats be accorded hegemonic positions—political as well as economic" (pp. 176–77). But it is a mistake to take at face value—as Broad apparently does—Marcos's public statements of deference to the technocrats.[50] Even if we know that Marcos *was* trying to please international creditors, it is incorrect to assume that he was their lapdog.

Broad carefully chronicles the efforts of the World Bank and the IMF to orient Philippine policy-making toward the export of manufactured goods, and she makes an important contribution in drawing attention to the critical role that these institutions play in the formulation of domestic policy.[51] Unfortunately, however, she relies excessively on one key demarcation as she tries to explain the dynamics of economic policy-

[49] William H. Overholt, "Pressures and Policies: Prospects for Cory Aquino's Philippines," in Carl H. Lande, ed., *Rebuilding a Nation: Philippine Challenges and American Policy* (Washington, D.C.: Washington Institute Press, 1987), 98.

[50] Two years later, in fact, Marcos declared that the "KBL [New Society Movement, Marcos's political party] Central Committee, not the technocrats, make government policy" (Wurfel, 237 n. 8). The central committee included major cronies.

[51] Broad explains at the outset that her primary theoretical reliance is upon the "new *dependentistas*," especially Peter Evans's *Dependent Development*, but Evans's influence is not clearly evident in her analysis. The major weakness of earlier dependency analyses, she writes, "was the derivative position in which it placed the LDC state" (p. 16). But when all is said and done, Evans's "incontrovertible" assertion on "the centrality of the state to accumulation on the periphery" (p. 43) seems to have lost out to a focus more like that of Cheryl Payer, on how external institutions manage to overpower Third World states. See Evans, *Dependent Development: The Alliance of Multinational, State, and Local Capital* (Princeton: Princeton University Press, 1979); Payer, *The Debt Trap: The International Monetary Fund and the Third World* (New York: Monthly Review Press, 1974); and idem, *The World Bank: A Critical Analysis* (New York: Monthly Review Press, 1982).

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making during the Marcos years. This is the struggle of the "transnationalist" faction of the state and of private interests *versus* the "nationalist" faction of the state and of private interests. Unlike the framework of Hawes (and especially that of Wurfel and Aquino), her framework downplays any independent role for Marcos's own regime interests. As Broad states her approach, "Policy formulation is viewed as emanating from the interaction of interests of local transnationalist classes and international institutions, challenged, with varying degrees of success, by nationalist factions" (p. 19). This greatly understates the influence of cronyism on the economic decision making of the martial law regime. While she does not ignore the phenomenon, neither does she successfully incorporate it into her framework.

The Central Bank, for example, is described as"the locus of nationalist power in the Philippine government" (p. 128), because of its resistance to EOI. During the 1970s, she argues, it had successfully resisted IMF pressure for import liberalization, primarily for two reasons: first, because of "allegiance to national entrepreneurs protected by import restrictions" and second, because restrictions on imports increased its power. The first reason fits squarely within her theoretical framework, but the second raises questions as to how important "nationalist" considerations actually were in explaining the intransigence of the Central Bank. The head of the import control office, in fact, was Marcos's relative; "around [her]," explains one economist, "grew a host of rent-seeking anecodotes."[52]

Broad's greatest problem is characterizing the major cronies. She tries to put them on one side of the divide:

> Among the most vocal transnationalists—and the biggest recipients of foreign bank loans—were Marcos's so-called cronies, especially Herminio Disini, Eduardo Cojuangco, Jr., and Ricardo Silverio. In addition to being heavily favored in government contracts, these men created empires in large part through transnational ties. Disini netted millions of dollars from Westinghouse in his role as agent for the Bataan nuclear-power-plant deal. Silverio made it big by winning the Philippine franchise to assemble Toyota cars. Cojuangco, who created a virtual coconut monopoly, depended on diverse transnational links to market his coconut products abroad. (pp. 106–7)

On closer examination, their loyalty to transnationalism is difficult to show. Aquino explains that Disini (who married a cousin of First Lady Imelda Marcos and was one of the president's golfing partners) benefited

[52] Raul V. Fabella, "Trade and Industry Reforms in the Philippines: Process and Performance," in Manuel F. Montes and Hideyoshi Sakai, *Philippine Macroeconomic Perspective: Developments and Policies* (Tokyo: Institute of Developing Economies, 1989), 193.

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from a 1975 presidential decree imposing a 100 percent import tax on tobacco filters for all companies *other* than Disini's Philippine Tobacco Filters Corporation. His own firm was subject to only a 10 percent tax. "This differential effectively shut down Disini's competitors, [including] . . . a company owned by American and British interests," and enabled Disini to corner 90 percent of the local market for tobacco filters (p. 45). Like Disini, Silverio was basically an ISI entrepreneur, producing cars for the domestic market—behind tariff walls that the IMF and World Bank were trying (without much success) to tear down. Cojuangco's United Coconut Oil Mills bought out Cargill's two subsidiaries in the Philippines in 1979 (Hawes, 76), and his coconut monopoly faced concerted opposition from the multilateral institutions in the final years of the Marcos regime. Broad acknowledges this pressure but asserts that Cojuangco "would agree with the Bank . . . on most other points" (p. 107).

This is not to argue that the cronies are necessarily "nationalist." Rather, the intent is to highlight the serious problems with Broad's central demarcation of Philippine state and society. The cronies made their millions primarily because their intimate ties to the Palace opened up an array of opportunites, some involving close links to foreign capital and some involving the takeover and displacement of foreign firms. Their loyalty was *not* to any particular economic strategy, but to Marcos and the "rent-seeking orgy"[53] over which he presided. As Weber writes:

> *The patrimonial state offers the whole realm of the ruler's discretion as a hunting ground for accumulating wealth.* Wherever traditional and stereotyped prescription does not impose strict limitations, *patrimonialism gives free rein to the enrichment of the ruler himself, the court officials, favorites*, governors, mandarins, tax collectors, influence peddlers, and the great merchants and financiers who function as tax-farmers, purveyors and creditors. *The ruler's favor and disfavor, grants and confiscations, continuously create new wealth and destroy it again.*[54]

Broad actually admits that "the categories nationalist and transnationalist are not strictly demarcated; numerous entrepreneurs operated in both realms" (p. 107).[55] Indeed, Disini was likely just as happy with the

[53] Ibid., 205.

[54] Weber (fn. 3), 1099; emphasis added.

[55] Problems with Broad's nationalist/transnationalist categorization arise not only with the cronies, of course, but also with noncrony businesspeople. Except for this one acknowledgment that the categories are "not strictly demarcated," she generally seems to suggest that mere involvement with foreign capital taints local capital and "tends to wed them ideologically to policies furthering free international flow of goods and capital" (p. 7). Interestingly, one of her key examples of a besieged economic nationalist is Hilarion Henares, who she says "professed to have kept his hands clean of involvement with foreign corporations and foreign

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windfall profits he enjoyed as a "national entrepreneur" displacing foreign firms in the tobacco filters market as he was with the "transnationalist" kickbacks he received from Westinghouse (Aquino, 59–62). For him, what mattered was that he was a "favorite." The TNCs, too, seemed to know the best way to enter the "hunting ground"; as Broad reports, "The cronies were the most logical choice for TNCs' partners in joint ventures" (p. 171).

Ultimately, Broad has to fall back on a crony/noncrony distinction in her discussion of the bailout of crony firms after the financial crisis of 1981—an effort that fueled enormous resentment among noncrony businesspeople. "The financial squeeze," she writes, pushed "transnationalist cronies closer to Marcos while pulling non-crony transnationalists into the Marcos opposition" (p. 229). One "transnationalist crony" discovered that having ties to Toyota meant little once the "ruler's ... disfavor" descended upon his house. For seemingly personal reasons, the Palace abandoned Silverio after the collapse of his industrial and financial empire in the early 1980s.[56]

Broad does recognize certain issues that divided Marcos from "transnationalist" forces, specifically tariff reform (p. 90) and import liberalization (p. 62). But one study, examining over a decade of IMF credit to the Philippines, notes a *consistent* pattern in which "the 'dictates' of the IMF were often circumvented or simply ignored by the Philippine government." Two separate agendas are evident: "While the chief objective of the IMF was to effect short-term and structural adjustments ..., it seems the government's aim was to increase foreign inflows."[57] The IMF-sponsored tariff reduction program, for example, was undermined in part because specific corporations were exempted through presidential decree; similarly, efforts to increase the country's tax effort were hindered in part by tax incentives granted to Marcos associates.[58] Economist Raul Fabella explains further:

markets" (p. 115). In fact, Henares has long had close linkages with U.S. capital, though that seems to have had little impact on the nationalist views he regularly expresses in his popular newspaper column. Henares's business interests are discussed in William J. Pomeroy, *An American Made Tragedy: Neo-Colonialism and Dictatorship in the Philippines* (New York: International Publishers, 1974), 58.

[56] Some speculate that Silverio's fall from grace was related to displeasure over the course of a romance between Silverio's son and Imee Marcos, the daughter of the First Couple.

As Weber (fn. 3) writes: "Because of its very nature patrimonialism was the specific locus for the rise of favoritism—of men close to the ruler who had tremendous power, but always were in danger of sudden, dramatic downfall for purely personal reasons" (p. 1088).

[57] Mark Thompson and Gregory Slayton, "An Essay on Credit Arrangements between the IMF and the Republic of the Philippines: 1970–1983," *Philippine Review of Economics and Business* 22, nos. 1 and 2 (1985), 59–81, at 60 and 78.

[58] Montes (fn. 31) 105, 110–11, 134.

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> Technocrats were given the prerogative to formulate and rhetorize the public agenda in the form of economic and development plans which formed the basis for foreign loans. The political leadership then allowed the unconstrained introduction of exceptions that made complete mockery of the spirit and letter of the plans.[59]

The World Bank and the IMF were more comfortable with the technocrats but ended up providing enormous support to the crony system.[60] On the whole, Marcos usually managed to "take the money and run." As former Central Bank Governor Gregorio Licaros told Broad, "The more money they [the Bank and Fund] bring in here, the better" (p. 61). Certain elements of the externally induced reform agendas were initiated in the early 1980s, when the scarcity of funds on international capital markets increased the leverage of multilateral institutions.[61] But by no means was there "a reshaping of the entire Philippine political economy," as Broad claims. First, even in the depths of the financial crisis after 1983, Marcos successfully resisted the dissolution of the export crop monopolies (Wurfel, 292). Second, as long as external funds were readily available, there was never any need to make a comprehensive push for export-oriented industrialization; it was much more expedient simply to adopt the strategy of "debt-driven growth." In any case, the "export-oriented strategy . . . did not represent the interests of any socially significant class,"[62] and the technocrats lacked clout. Over time it became increasingly evident that "the agenda was ultimately set by business and political interests closer to the Palace."[63]

The Rise of the Cronies and the Relatives

These Palace interests, of course, were primarily Marcos, his cronies, and his relatives. The cronies were "a mixed bag, including not only relatives of Ferdinand and Imelda, but favoured oligarchs and quite a few 'new

[59] Fabella (fn. 52), 197.

[60] As de Dios writes: "There were many instances when the more 'irrational,' 'inefficient,' at times blatantly corrupt, aspects of the dictatorship were countenanced or accommodated by these institutions, particularly its net lending operations and crony bail-outs"; de Dios, "The Erosion of the Dictatorship," in Javate-de Dios (fn. 14), 122.

[61] See Mario B. Lamberte, "Financial Liberalization: What Have We Learnt?" *Journal of Philippine Development* 12, no. 2 (1985), 274–89; and Florian Alburo and Geoffrey Shepherd, "Trade Liberalization Experience in the Philippines, 1960–84," Working Paper No. 86-07 (Manila: Philippine Institute of Development Studies, 1986). While both studies cite important initiatives in the early 1980s, they also show that liberalization efforts ultimately had little success. Lamberte diagnoses the "failure of recent liberalization efforts," while Alburo and Shepherd explain that the "1983 economic crisis . . . effectively aborted these fundamental changes in tariff structure and commercial policy" (p. 37). See also Montes (fn. 31), 110–11.

[62] De Dios (fn. 60), 119–20.

[63] De Dios (fn. 5), 115.

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men.' "[64] Disini is the classic new man, a virtual unknown prior to acquiring a near monopoly of the tobacco filter market. By contrast, cronies Roberto S. Benedicto and particularly Cojuangco emerged from solidly oligarchic backgrounds.

"Crony" is used to describe those whose positions are particularly favored by the current regime, regardless of their origins. An "oligarch" may not be a current crony but in either case has already established his or her fortune in earlier dispensations.[65] The Lopezes are an example of noncrony oligarchs; they depended heavily upon the state in the creation of their diversified empire, but since they were not dependent upon any particular regime, it is probably not proper, at any point, to describe them as "crony."[66] Upon the declaration of martial law, Marcos unleashed a rhetorical attack on the "oligarchs," but, as noted above, his targets were selective. In the course of his regime, both "old oligarchs" and "new men" gained "crony" status, and they were sometimes referred to collectively as the "new oligarchy."

A degree of "social mobility," or dynamism in elite composition, is an important characteristic of cronyism and underlines the patrimonial nature of state-oligarchy relations in the Philippines. As Weber explains:

> Patriarchal patrimonialism is much more tolerant than feudalism toward social mobility and the acquisition of wealth. The patrimonial ruler does not like independent economic and social powers. . . . [B]ut he also does not support status barriers.[67]

Because of the steady stream of those with newfound wealth, therefore, it is difficult to reduce the Philippine oligarchy to a certain number of old families. Each presidency can create a new set of cronies, and a presidency as qualitatively different as that of Marcos can be expected to have a particularly strong influence on elite composition.[68]

[64] Anderson (fn. 10), 22.

[65] Wurfel thus confuses matters when he writes of "oligarch and crony" as an "elite cleavage on economic issues" (p. 238). A clearer way to express this division is "favored" (crony) versus "nonfavored" or "less-favored" (businessperson).

[66] McCoy explains that the Lopezes achieved national prominence after independence, building on prewar provincial wealth that was liquidated during the war. In both the pre- and postwar phases of their accumulation, "the viability of all Lopez investments . . . has depended upon state regulation and licensing. . . . Don Eugenio [Lopez] used capital to secure political protection, investing in political campaigns and taking his profits in favors"; see McCoy (fn. 30), 21–23. In effect, they raided the state from a strong and independent societal base.

[67] Weber (fn. 3), 1102.

[68] Marcos had unprecedented tenure in office and managed to grab control of military, judicial, and legislative functions that had previously been dispersed among many rival centers of power. The measure of protection previously available to those oligarchs "on the outs" therefore disappeared in 1972. See Anderson (fn. 10), 12, 22, on how the declaration of martial law upset the "rule of law" that had long guided the system of oligarchic hegemony.

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The basis of crony selection was not entrepreneurial skill, of course, but loyalty and long-standing personal connections.[69] Benedicto was a fraternity brother, Rodolfo Cuenca and Disini were golfing buddies (Aquino, 39), and Benjamin Romualdez was a brother-in-law. Marcos and Cojuangco shared an enmity with the rival side of the Cojuangco clan (that of Corazon Cojuangco Aquino and her husband Benigno) that seems to have forged a close and enduring personal bond. To the extent that the cronies were "new men," or to the extent that they relied exclusively upon Marcos for state benefits necessary to open up a particular "hunting ground," the crucial patrimonial element of loyalty and "personal dependence" was largely assured.[70] Perhaps as part of Marcos's efforts to curb any tendency toward independence, few cronies were able to combine their access to officially granted privileges with the formal assumption of official positions.[71]

By far the greatest strides toward independence were achieved by the First Lady, Imelda Romualdez Marcos, who was concurrently minister of human settlements, governor of Metro Manila, and roving diplomat (often on quite sensitive missions). Palace insiders, Wurfel writes, described the First Couple's relationship "as a standoff between two warring camps, in which the battlegrounds were appointments, government contracts, investment opportunities, media treatment, and priority in the allocation of funds" (p. 241). Whatever the precise origins of her power,[72] there is no question that at some point after 1972 she was able to establish a relatively autonomous power base within the regime. In Weber's words, the "boundaries" of her official positions were "frequently indeterminate," and the positions themselves were treated "as a *personal* right." Among government agencies, much of the jurisdictional limitation of the powers of office came from "the competing economic interests

[69] The First Lady had a special explanation for the success of cronies and relatives: "Some are smarter than others" (Wurfel, 237).

[70] On the importance of "personal dependence" to a patrimonial ruler, see Weber (fn. 3), 1026–27.

[71] For example, Cojuangco, Disini, Silverio, Rodolfo Cuenca (the construction magnate), and Antonio Floirendo (the "banana king") did not hold important official posts. Benedicto headed the quasi-public Philippine Sugar Commission, the central agency of the sugar monopoly. Major exceptions to the rule include Geronimo Velasco (energy minister) and Juan Ponce Enrile (defense minister). By the early 1980s Benedicto, Cojuangco, and Floirendo were made regional party chairmen of Marcos's *Kilusang Bagong Lipunan*, or New Society Movement (Wurfel, 237). See also de Dios (fn. 5), 114.

[72] According to a former Marcos adviser, Imelda would threaten Marcos with exposure (of intimate details of life in the Palace) or a "big public divorce, and Marcos never wanted to call her bluff." Interview, Adrian Cristobal, former Special Assistant for Special Studies (to President Marcos), June 19, 1989. Wurfel describes it as a relationship of "mutual blackmail" (p. 241). An embroidered analysis of the relationship is found in Sterling Seagrave, *The Marcos Dynasty* (New York: Harper and Row, 1988), chap. 10.

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of the various patrimonial officials."[73] In this competition, the First Lady often emerged triumphant. As Montes explains:

> It became normal practice . . . for the president to require that ministries attain a 10 percent savings on their current budget. The funds that were thereby saved were used for special projects, notably those of the First Lady. The affected ministries learn of the reasons for such restrictions only informally.[74]

Some observers have tried to determine whether Marcos promoted cronyism at the outset or whether the regime only degenerated into cronyism at a later stage. Wurfel, for example, characterizes the early martial law years as "authoritarian-technocratic," which by the late 1970s had been gradually replaced by a "neopatrimonial" mode (pp. 325, 331). At another point, however, he writes that there was "a slight [and temporary] shift . . . toward the technocrats in 1981," in part because Virata was named prime minister (p. 254).

As Wurfel shows, it is very difficult to separate out technocratic goals and patrimonial goals. Commenting on Wurfel's thesis, Marcos's chief political theorist Adrian Cristobal remarked that "the intent was basically the same all along. You build on your success." Consistent with Belinda Aquino's many accounts of regime plunder, he noted that the cronies "had been with Marcos from the very start. They were just waiting for the opportunity." Cristobal, however, explained that Wurfel's " 'authoritarian-technocratic' mode" was also present from the beginning: Marcos was "always receptive to good ideas," such as administrative reform, the development of bureaucratic capacity, and more rational development planning. In short, Marcos "believed he could have a vision for society . . . and still loot it. I do not find that irrational."[75]

Technocrat-crony disputes notwithstanding, Wurfel is likely overstating matters when he describes the regime as "an *unstable mix* of patrimonialism and rule by technocrats" (Wurfel, 325; emphasis added). In fact, Marcos was generally very adept at managing the admixture. He could promote technocrat Virata and yet ensure the primacy of his own

[73] Weber (fn. 3), 1029; emphasis in original. He writes that "this quasi-jurisdictional limitation of the powers of office results primarily from the competing economic interests of the various patrimonial officials."

[74] Montes (fn. 31), 108.

[75] Cristobal (fn. 72). Similarly, an (anti-Marcos) professional technician for the state-owned Philippine National Oil Company, decries the return of unbridled patronage within his company since 1986 and looks back with an ironic sense of fondness for what one Marcos crony, Geronimo Velasco, did to professionalize their operations. Unlike the leadership under Aquino, where professional qualifications matter little and "the envelope with a recommendation from a senator is key," he exclaimed, "at least Velasco built up something worth plundering!"; anonymous interview, April 2, 1989.

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patrimonial objectives.[76] As a former Palace insider explains: Marcos would utilize the skills of competent officials but at the same time try to limit their "political clout" and keep them "segmented ... in their fields."[77] In the same way that Weber allows for a bureaucratic rationalization of patrimonial leadership" that does not undermine the essential nature of that leadership,[78] one can say that Marcos's early efforts at bureaucratic reform (Wurfel, 135–38) only streamlined his plunder of the state. An important consideration in the relative portions of the "mix," it seems, is a regime's security of tenure; if there is a feeling that the regime will endure into the long term, there is no necessity to maximize gains in the short term. After the declaration of martial law Marcos likely felt secure enough in his position to know that he, personally, would be able to reap the benefits of a better-run state apparatus.

If there was simultaneous bureaucratic reform *and* patrimonial plunder, how is one to understand the concepts of state and regime? Hawes makes a valuable contribution in asserting "the necessity of clearly differentiating between the state and the regime" in the Philippine case (pp. 152–53). Alongside his problematic definition of the class basis of the Philippine state, he demonstrates very clearly how "the Marcos regime used the powers of the state to further its own economic and political interests" (p. 134). Unfortunately, however, there is a gap between his definition and his usage of the term "regime," as well as a difficulty in his conceptualization of the Philippine state.

Hawes introduces the concept of "regime" from Fernando Cardoso's work on authoritarian regimes of Latin America (p. 49). Cardoso's definition is concerned primarily with institutions:

> By "regime" I mean the formal rules that link the main political institutions (legislature to the executive, executive to the judiciary, and party system to them all), as well as the issue of the political nature of the ties between citizens and rulers (democratic, oligarchic, totalitarian, or whatever).[79]

[76] Indeed, when in 1981 external funds became harder to come by, it was useful for Marcos to promote chief technocrat Virata. Wurfel should not take this as an indication that the technocrats were temporarily edging out the cronies (p. 254). The same year a more ideological technocrat, Economic Planning Minister Gerardo Sicat, was "fired for raising objections to the costly projects of the First Lady"; see Fabella (fn. 52), 197.

[77] Interview, Francisco S. Tatad, former information minister (under President Marcos), August 22, 1989. In Weber's words, "The ruler's personal discretion delimits the jurisdiction of his officials"; Weber (fn. 3), 1029.

[78] Weber (fn. 3), 1098; see also p. 1028.

[79] Cardoso, "On the Characterization of Authoritarian Regimes in Latin America," in David Collier, ed., *The New Authoritarianism in Latin America* (Princeton: Princeton University Press, 1979), 38.

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Based on this definition, if one asks what kind of regime it is, the answer might be "an authoritarian regime." In a patrimonial system, however, where "the ruler's purely *personal ability* to assert his will is to a very high degree decisive,"[80] such an answer may be correct but insufficient. In the case at hand, it is important to specify as well that we are discussing the *Marcos* regime. This is in fact how Hawes uses the term, even if it does go beyond Cardoso's more institutionalist definition. When he writes of "personalized rule" and remarks that "Marcos was hardly the typical 'modern' authoritarian ruler," Hawes is speaking of a regime that has at least as much in common with Latin American caudillos as with the *bureaucratic*-authoritarian regimes that Cardoso is discussing.[81] Perhaps the most appropriate, albeit succinct, definition of the term comes from Wurfel: " 'Regime' refers to both institutions and those who wield power within them" (p. 75 n. 1).

In his discussion of the coconut industry, Hawes concludes that "the power of the state was used for individual political goals" (p. 82). In his second case study, on the sugar industry, he shows that "the vast bulk of the surplus went . . . to the personal and political needs of the First Family" (p. 128) and that Marcos was able to "break the power of the pre-martial law sugar bloc" (p. 98). The role of *individual* interests is clear: one way in which Marcos weakened old elites "was to create monopolies to control the export of coconuts and sugar, place these monopolies firmly under the control of presidential friends, and use the monopolies as a vehicle to accumulate surplus. . . . [They were] a foundation for his regime" (p. 127).

It is therefore essential to note both the personalistic and the institutional aspects of the regime. As Wurfel explains in his most extensive treatment of the subject of patrimonialism, the authoritarian nature of the Marcos regime lies *between* comparative cases of more thoroughly bureaucratic and more thoroughly personalistic authoritarianism:

> The Philippine system was too complex and too nearly modern to be called simply "patrimonial." Nor was its power based primarily on an effective

[80] Weber (fn. 3), 1042; emphasis in original.

[81] While caudillos imposed personal orders by decree, Cardoso explains, most modern military regimes have a more bureaucratic, institutional basis of power; Cardoso (fn. 79), 35–36. The polity and economy from which the Marcos regime emerged is larger and seemingly more institutionalized and complex that that of most so-called "caudillos" of modern Latin America. Nevertheless, it is probably easier to draw comparisons with personalistic caudillo regimes (such as that of Somoza) than with the bureaucratic-authoritatian regimes of the Southern Cone (Brazil, Argentina, Chile, and Uruguay), where the military ruled *as an institution*. It would be a valuable project to explore further the similarities and differences between Marcos and the modern caudillos.

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> bureaucracy. Thus the most accurate label for the martial law regime was "patrimonial authoritarianism," or perhaps "neopatrimonial"—highly personalized for its size but more institutionalized than an Ethiopian monarchy or a Dominican or Nicaraguan dictatorship. (p. 153)[82]

It is hard to reconcile Hawes's excellent data on agricultural export industries, which point clearly to regime accumulation, and his quite abstract theoretical discussion, which posits the "relative autonomy" of the state. He writes that "in addition to being powerful and autonomous, the state in the Philippines has indeed been an arena for class conflict" (p. 53). Another very general assertion is that "the state is a class state, defending the interests of the bourgeoisie as a whole; however, the state is relatively autonomous in the sense that it can take and has taken strong state action detrimental to certain segments of the bourgeoisie" (p. 136). Hawes's example of such a "relatively autonomous" action is the state's "attack on the 1SI bourgeoisie" (p. 141), which in fact never occurred (as discussed above). But when he taps his own data, he gives clear-cut demonstration of the state's "coercive and administrative powers" being used for *private* ends (p. 82, also p. 153).

Given the weak separation of the "private" and "official" spheres, it becomes very problematic to assert the "strengthening of the Philippine state" and its "insulation from the demands of civil society," when in fact those who were supposedly insulated (the technocrats) "had no power to resist the demands of Marcos and his cronies" (p. 144). It is more accurate to understand the plunderous activity of Marcos and his cronies as especially powerful "demands of civil society." The Marcos regime embodied potent societal interests that seized control of the state and proceeded to centralize access to that state. There was heightened state *capacity* through bureaucratic reform and the use of technocratic expertise, but those technocrats themselves were not *autonomous* in relation to regime interests.[83] Given the overall strength of "the demands of Marcos and his cronies," it is difficult to understand how there could have been signifi-

[82] If one were to try to determine precisely *where* the Philippine case is situated amid more extreme cases of personalistic and bureaucratic authoritarianism, one would need to conduct careful comparative analysis of specific arenas of state policy. Within each arena, it would be necessary to determine whether there was any significant change over time in the degree of separation of "official" and "private" spheres. Obviously, such an effort is beyond the scope of this article.

[83] State autonomy is defined above (fn. 28). State capacity, Kathryn Sikkink writes, "involves the administrative and coercive abilities of the state apparatus to implement official goals"; Sikkink, "State Autonomy and Developmentalist Policy in Argentina and Brazil: Frondizi and Kubitschek Administrations Compared" (Paper presented at the Latin American Studies Association Congress, 1988), 3, quoted with author's permission). In a system with clear-cut patrimonial elements, this definition needs to include not only "official goals," but also the personal goals of the political leadership.

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cant "strengthening of the Philippine state." Other societal interests were indeed excluded, but that does not point to the existence of a "relatively autonomous" state.[84]

Hawes's major difficulty stems from introducing notions from a *bureaucratic* state into his analysis of a state that exhibits enduring *patrimonial* characteristics. His discussion of the state, at points, seems to

> presuppose *the conceptual separation of the "state,"* as an abstract bearer of sovereign prerogatives and the creator of legal norms, *from all personal authority of individuals*. These conceptual distinctions are necessarily remote from the nature of pre-bureaucratic, especially from patrimonial and feudal, structures of authority.[85]

Hawes's empirical data, however, lead him to downplay this "conceptual separation." His emphasis on *regime* use of *state* power (as well as his use of the term "quasi state monopolies") highlights how remote this conceptual distinction often is from Philippine reality (p. 128).

Although Hawes does not acknowledge it, the sugar and coconut trading monopolies provide excellent examples of the patrimonial nature of the Philippine state. Weber asserts that under patrimonialism, "only certain types of capitalism are able to develop . . . [and] these forms . . . often reach a very high level of development." Among these types are "politically oriented capitalism" and "capitalist wholesale trade"; trade monopolies, he writes, are especially important in the development of centralized patrimonialism.[86]

With the establishment of the coconut levy in 1971, government levies were turned over to "private organizations that claim[ed] to represent . . . the entire industry" (Hawes, 69). After martial law, the levy became more onerous, and Marcos "favorites," notably Cojuangco and Enrile, effectively took control of the levy proceeds (and, by the end of the de-

[84] A largely parallel line of analysis is found in Haggard's insightful discussion of the nature of "weak authoritarian regimes"; he states that "technocrats may gain autonomy from interest group and legislative pressures under authoritarian rule, but they do not necessarily gain independence from the executive." This executive has a "*personal stake* . . . in the crony enterprise"; Haggard (fn. 48), 217–18.

Of the works discussed in this article, Hawes's book alone devotes significant attention to state theory. But Wurfel, too, in his occasional mention of the subject, asserts that in the early years of martial law the state had "autonomy from the dominant class" (p. 333) and had the "capability to make and implement policy" in a way that was unresponsive "to interests outside the state structure" (p. 334). Only later did the "state [serve] the interests of the superpatron and his closest clients—the essence of neopatrimonialism" (p. 333). This "essence of neopatrimonialism," I am arguing, was present from the beginning.

[85] Weber (fn. 3), 998; emphasis added.

[86] Weber (fn. 3), 1:240, 3:1091 and 1092. If Weber is the guide, this effectively refutes Montes's (fn. 26) assertion that "a 'rent-seeking' economy cannot readily be classified as capitalist" (p. 65). In Montes's analysis (fn. 31) the Philippines suffers from a "feudal social basis of political power" (p. 135).

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cade, of the milling and export of most coconut products) in order to build a diversified agricultural, financial, and manufacturing empire. By 1983 their United Coconut Planters Bank had assumed control of the country's largest firm, San Miguel Corporation. "Official" powers of revenue collection were invested in "private" hands, and the result is a clear indication of what enormous opportunities for patrimonial accumulation can come from long-term, unchallenged access to the Philippine state.

The Resurgence of the "Old Oligarchy"

The declaration of martial law signaled Marcos's attempt to move from a decentralized to a centralized patrimonial polity. The most colorful description of this process comes from Anderson:

> From one point of view, Don Ferdinand can be seen as the Master Cacique or Master Warlord, in that he pushed the destructive logic of the old order to its natural conclusion. In place of dozens of privatized "security guards," a single privatized National Constabulary; in place of personal armies, a personal Army; instead of pliable local judges, a client Supreme Court; instead of myriad pocket and rotten boroughs, a pocket or rotten country, managed by cronies, hitmen, and flunkies.[87]

Marcos shared the patrimonial ruler's dislike of "independent economic and social powers." He faced "a property-owning, especially ... land-owning stratum of ... subjects [that had] easily monopolize[d] the local offices,"[88] and he was determined to undercut those well-entrenched oligarchic forces that might stand in the way of his centralizing agenda. Yet at the same time, the very fact that they controlled crucial independent resources meant that he could not afford to antagonize them as a group. In a world of mobile capital, Marcos knew that he could not "induce business performance" if he acted too generally and too rashly against his rivals.[89] As mentioned above, he had to move selectively against those who most threatened his regime.

Weber explains the classic conflict of "patrimonial ruler versus local lords":

> The continuous struggle of the central power with the various centrifugal local powers creates a specific problem for patrimonialism when the pat-

[87] Anderson (fn. 10), 20.

[88] Weber (fn. 3), 1040.

[89] The idea of inducement comes from Charles Lindblom's discussion of "the privileged position of business." Although he focuses on advanced capitalist countries, there are nonetheless parallels to be found in Marcos's situation after 1972. Especially in the beginning the ruler's household controlled but a portion of the national economy, and Marcos needed to ensure (domestic and foreign) investors' confidence in general business conditions. See Lindblom, *Politics and Markets: The World's Political-Economic System* (New York: Basic Books, 1977), 170–88, quote from p. 174.

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> rimonial ruler, with his personal power resources—his landed property, other sources of revenue and personally loyal officials and soldiers—confronts not a mere mass of subjects . . . but when he stands as one landlord . . . above other landlords, who . . . wield an autonomous authority of their own. . . . *The patrimonial ruler cannot always dare to destroy these autonomous local patrimonial powers.*[90]

As we have seen, Marcos's own "personal power resources" were greatly augmented by international capital inflows. Using these resources, he attempted to "centralize rather than disband the national network of patron-client relations—to become 'supreme godfather' " (Wurfel, 152). His immediate dissolution of Congress, of course, had undercut rival patronage networks. And just as Weber notes that "the 'father of the people' . . . is the ideal of the patrimonial states,"[91] so the First Couple attempted to promote themselves as "Father and Mother of the Nation" in barrio-level youth organizations (Aquino, 86).

But Marcos was never able to contemplate the systematic destruction of independent power bases. Nor did he ever show an interest "in upsetting the established social order."[92] While the regime had a major influence on the composition of the country's elite, it ultimately faced a full-scale resurgence of rival centers of power. As we shall see, opposition from these forces began to build in the early 1980s, and in 1986 they contributed in a major way to his downfall.

A closer analysis of exactly how Marcos moved against the Lopez clan in 1972 highlights his concern not to antagonize capital holders *in general.* The expropriations of the Lopez newspaper and television studios were "crudely" accomplished, and the facilities soon found their way into the hands of Benjamin Romualdez and Benedicto. But in the case of the Manila electric company, the Lopez's Meralco, " 'Marcos knew that it would be scandalous to use the same crude methods.' "[93] It was a corporation with twelve thousand stockholders, some of them foreign creditors. Marcos effected this expropriation by arresting one of the Lopez sons, and "with an effective hostage to force compliance, Marcos used the full resources of the state to break the Lopez hold over Meralco step-by-step." By late 1973, utilizing such techniques as cuts in power rates and withholding of credit, "Marcos gained control of U.S. $5.7 million in Lopez assets for only $1,500." The holdings of smaller stockholders, however, were not absorbed by the regime.[94]

[90] Weber (fn. 3), 1055; emphasis added.
[91] Ibid., 1107.
[92] Anderson (fn. 10), 22.
[93] McCoy (fn. 30), MS p. 45, quoting an affidavit of Oscar Lopez.
[94] Ibid., 45–48.

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Similarly, landowners tended to be punished only to the extent that they represented a threat to the regime. As Wurfel explains:

> Land reform's most important political function was to strike a blow at the "oligarchy," those wealthy elites who formed the core of his political opposition. The Aquino estates were among the first to be expropriated. The president lost his originally keen interest after owners of more than one hundred hectares had been dispossessed. (p. 166)

Moreover, by excluding sugar and other export crops from land reform, Marcos was being "cautious not to antagonize all landed wealth at once" (p. 167).

The Marcos regime also trod softly in the area of fiscal reform in order to avoid antagonizing powerful business interests. Authoritarian government was unable to overcome the state's historical inability to tax the monied classes: real property and personal income tax rates remained low, and—just as in the pre–martial law years—indirect taxes continued to supply 70–80 percent of total tax revenue for the state. The "new government could codify and simplify tax laws and administration" and grant tax and tariff exemptions to its allies, but "it did not have enough power to threaten the economic power of the groups that had been dominant in the pre-martial-law period."[95] And, as discussed above, government policies did little to undermine the trade barriers behind which ISI entrepreneurs thrived.

Until roughly 1981 much of the pre–martial law elite had little to complain about. Besides those who were excluded outright, a second gruop of the pre–martial law elite families "managed to hold their own," and a third, "favored" group expanded its business interests considerably.[96] There must have been resentment at the First Couple's reported "squeeze" of businesspeople (Wurfel, 137), which was apparently most rampant against the more politically vulnerable Filipino-Chinese business community. And when nonfavored firms went bust, the regime seemed to have a "kick 'em when they're down" approach to corporate acquisition: in the course of the 1970s seven banks—all in a weak position—ended up in crony hands. But these actions were largely selective. In terms of overall business confidence, high commodity prices and external funds promoted respectable growth rates through the 1970s.

[95] Montes (fn. 31), 96, 114–15, 117, 120. Attempts at a more centralized patrimonial polity, then, did not resolve the revenue dilemmas faced in the pre–martial law period, when many oligarchic patrons competed in the electoral arena.

[96] John F. Doherty, "Who Controls the Philippine Economy: Some Need Not Try as Hard as Others," in Belinda A. Aquino, ed., *Cronies and Enemies: The Current Philippine Scene*, Philippine Studies Occasional Paper No. 5 (Honolulu: Philippine Studies Program, Center for Asian and Pacific Studies, University of Hawaii, 1982), 30.

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Moreover, whether crony or noncrony, the oligarchy as a whole was no doubt appreciative of how the regime had greatly curbed popular demands.

Significant elite opposition to Marcos did, however, become evident after the financial crisis of 1981, when a prominent Filipino-Chinese businessman fled the country without settling nearly $85 million in debts. Several financial institutions closed down, and credit became very tight. A massive Central Bank bailout of failed crony firms provoked a great deal of resentment, and a suprafamilial elite coalition based on clear differences of economic interest developed among "nonfavored" and "less-favored" businesspeople. The most prominent business organization seeking political change was the Makati Business Club, formed in 1982.[97]

Marcos was, in fact, facing increasing opposition from much of the "old oligarchy" of pre–martial law origins. In their own analysis, crony excesses were largely to blame for constricted economic opportunities. First, the bailout of crony firms contributed heavily to the scarcity of credit. Second, growing international perceptions of unbridled cronyism exacerbated the regime's problems in dealing with increasingly tight global credit markets. Especially after the assassination of Benigno Aquino in 1983 and the capital flight that came in its wake, international creditors lost their faith in Marcos; particularly damaging was the falsification of international reserve figures by the Central Bank. "An important reason the big business sector rejected the Marcos regime was its loss of credibility with international creditors and consequent inability" to furnish the economy with essential external resources.[98] Because manufacturing interests remained heavily dependent on imported inputs, and hence foreign exchange, the economy went into a tailspin. Later, many of the influential members of the Makati Business Club became key backers of the presidential campaign of Corazon Aquino in 1986; significantly, one of her successful tactics was to call "a boycott of Marcos-controlled newspapers, government and crony-owned banks, and the San Miguel commercial empire" (Wurfel, 300).

Many members of this anti-Marcos coalition assumed key posts in the Aquino administration. Once in power, these oligarchs had an opportunity to launch a concerted attack on those aspects of the political economy that had long retarded the development of more advanced forms of capitalism in the Philippines. In Weber's terms, "politically oriented capi-

[97] See de Dios (fn. 60), 102–3. Broad attempts to link part of this elite opposition to the "national entrepreneurial class" (p. 105; see also p. 3). But a close examination of either the "bourgeois bombers," to whom she is referring, or other major groups, especially the influential Makati Business Club, makes this implausible.

[98] De Dios (fn. 5,), 133.

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talism" and "capitalist wholesale trade" had flourished under Marcos, but other forms of capitalism had been hindered by "the wide scope for actual arbitrariness and the expression of purely personal whims on the part of the ruler and the members of his administrative staff."[99] As Wurfel points out, cronies in manufacturing ventures were "less stable" than those who were given "control over marketing or processing a major crop" (p. 237). And within the export-crop monopolies, there were often limits to the types of economic activity that were attempted (Hawes, 76, 102–3). There were, indeed, some relatively sophisticated activities taken over by the cronies, including commercial banks and the San Miguel Corporation. But while a few enterprises prospered, crony enterprises on the whole contributed significantly to the country's financial disaster in the early 1980s.[100] State-owned enterprises, which had more than tripled in number between 1972 and 1984, were patronage-ridden beasts that soaked up 30 percent of public expenditures by the late Marcos years.[101] Marcos's attempt at centralized patrimonialism led, in the end, to an unprecedented degree of "unpredictability and inconsistency"[102] in the functioning of the state apparatus, as "personal whims" triumphed.

Did the oligarchs of the Aquino administration, then, attempt to create "the political and procedural *predictability*, indispensable for capitalist development, which is provided by the rational rules of modern bureaucratic administration"?[103] To be sure, there were important efforts at liberalization and privatization, as well as major initiatives to regain the "ill-gotten" wealth of the Marcos cronies. But on the whole, these efforts failed.[104] And more fundamentally, one can still say that political admin-

[99] Weber (fn. 3), 1:239.

[100] See the influential white paper of the University of the Philippines school of economics; Emmanuel S. de Dios, ed., *An Analysis of the Philippine Economic Crisis: A Workshop Report* (Quezon City: University of the Philippines Press, 1984).

[101] Stephan Haggard, "The Philippines: Picking Up after Marcos," in Raymond Vernon, ed., *The Promise of Privatization* (New York: Council on Foreign Relations, 1988), 93, 97. Within these enterprises, the public-private distinction was often blurred beyond recognition; as Haggard reports, prior to a 1985 Supreme Court ruling, "several managers of state-owned enterprises even denied that they were public officials!" (p. 95). See also Weber's discussion (fn. 3), 1097, of the extensive growth of state enterprises in patrimonial polities.

[102] Weber (fn. 3), 1095. [103] Ibid.; emphasis in original.

[104] ISI monopolists effectively control the policy-making agenda in the Aquino regime, and

> international institutions seeking to push rationalizing or liberalizing strategies such as export-oriented industrialization are in the queer position of not having a clear constituency with political influence. . . . [T]he free-trade ideology . . . is being resisted by the traditional elite (now holding key positions in the government) who have been accustomed to privileged, rent-producing positions in the economy. (de Dios [fn. 5], 140–41)

As early as 1988 Haggard concluded that "barriers to rapid privatization emerged, and implementation has lagged behind state intentions." In light of subsequent experience, this conclusion could now be stated even more forcefully. See Haggard (fn. 101), 92.

Economist Gustav Ranis, a longtime consultant on Philippine economic issues, wrote in

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istration is often treated as a personal affair. Patrimonial features endure, as the highly arbitrary personal discretion of oligarchs currently in power largely determines the assignment of privileges granted by the state. Once again, as in the pre–martial law years, a decentralized polity simply gives *more* oligarchs a chance to claw for the booty of state. If Weber is correct, more advanced forms of capitalism will not flourish until the Philippine state achieves some minimal level of success in supplying "continuity, trustworthiness and objectivity of the legal order, and ... the rational, predictable functioning of the legal and administrative agencies."[105] As long as oligarchs and cronies continue to plunder the state, it is difficult to see how such success will be achieved.

Conclusion

"What are we in power for?" responded a pre–martial law senator when reporters asked him about corruption charges (Wurfel, 100). Like many oligarchs and cronies in the Philippine state, this politician knew very well that the weak distinction between "official" and "private" spheres means ample opportunity for plunder of the state. Marcos elevated the practice to its highest level of development, but even in his absence, patrimonial elements remain strong. Cheap credit, tax incentives, state licenses, and monopoly privileges hinge on "personal considerations." State resources are blatantly appropriated for private ends, and a new group of cronies has been spawned. Indeed, certain senators in the Aquino era consider "plunder" such an enduring plague upon the land that they introduced a measure declaring it punishable by death. Persons amassing $2.3 or $4.6 million in "ill-gotten wealth"—the sponsors were in disagreement as to the proper threshold—would be executed by the state they had sacked.[106]

1989: "While the Philippines is certainly not alone in preferring [to avoid] ... painful economic restructuring, it is undoubtedly one of the foremost practitioners of the art"; Ranis, *Far Eastern Economic Review*, September 28, 1989, pp. 153–54, at 154.

Even the prosecution of Marcos cronies has been plagued with failure, and only a tiny portion of the "ill-gotten wealth" has been recovered. See the *Philippine Daily Globe*, December 16, 1989. Quite early on, in fact, the major agency tasked with the effort (the Philippine Commission on Good Government) was already being called a "tainted watchdog" because of alleged misappropriation of seized assets. See the *Far Eastern Economic Review*, September 17, 1987, pp. 22–27.

[105] Weber (fn. 3), 1095. This is not to say, of course, that corruption is incompatible with advanced capitalism: one can think of myriad examples where the two thrive simultaneously. In Weber's analysis bribery and corruption have the "least serious effect" when they are calculable and become most onerous when fees are "highly variable" and "settled from case to case with every individual official" (vol. 1, p. 240). If correct, a major obstacle to the development of more sophisticated forms of capitalist accumulation is not corruption per se, but highly arbitrary corruption.

[106] *Manila Chronicle*, June 11, 1989.

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Despite its origins in "people power," the best characterization of the Aquino government is simply "restorationist."[107] The following description of the Philippine political system, written by the Central Intelligence Agency in 1965, remains remarkably accurate. After noting a history of domination by a "small, wealthy elite," it asserts

> the primacy of the kinship group over all institutions, including the state. . . . [K]inship and personal connections are far more important than merit or legal niceties in political, social, and business relations; this has contributed to widespread acceptance of nepotism and corruption as the normal road to political and personal advancement. A corollary to the importance of personal relations is the widespread disrespect for the impersonal rule of law.[108]

Marcos's authoritarian government did not bring fundamental change to the particularistic, plunderous way in which dominant interests interact with the Philippine state, and with his departure came a fundamental resurrection of the more decentralized pre–martial law system. Such a high degree of continuity needs to be explained.

The thesis presented here is that this continuity results from ongoing patrimonial features of the Philippine state and that current scholarship on the Marcos regime and the Philippine political economy would benefit greatly from a more careful examination of these features. Belinda Aquino's focus on Marcos the individual is entirely compatible with a patrimonial framework, but it is essential to understand the nature of the state that he and his cronies plundered. "Bonapartist" explanations are problematic in their assertion of "relative autonomy" and in the weak emphasis on regime interests. (Moreover, it is difficult to show the presence of a "pliable mass organization" of any significance.) Broad relies excessively on a "transnationalist-nationalist" distinction that is unable to account successfully for cronyism and its persistence. Her assertion of a "reshaping of the entire Philippine political economy" would not lead one to expect any significant continuity across regimes. Hawes brings regime interests into his analysis but often crowds them out in his efforts to define which elite segments (each with supposed coherence of economic interest) control the state. His useful insights on regime use of state power are often obfuscated by abstract theorization.

Of all the works reviewed, Wurfel's puts the greatest stress on continuity across regimes (pp. 74, 274, 323, 326, 336), and his book alone integrates patrimonial terms. Wurfel's theoretical framework is quite var-

[107] De Dios (fn. 5), 124.

[108] CIA, *Philippines: General Survey*, National Intelligence Survey, NIS 99, July 1965 (sanitized copy released November 1980), excerpted in Daniel B. Schirmer and Stephen Rosskamm Shalom, eds., *The Philippines Reader: A History of Colonialism, Neocolonialism, Dictatorship, and Resistance* (Boston: South End Press, 1987), 126.

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ied, however, and patrimonialism is only one of many themes found throughout the book. In some cases, accounts of patrimonial activity (for example, the extensive use of Marcos relatives as emissaries, candidates, and regime spokespersons) are not explicitly linked to an overall analysis of the strength of patrimonial patterns. At one point, the pre–martial law system seems to be given patrimonial attributes (p. 325), but in general he confines the term to the Marcos years. In short, patrimonial elements within the Philippine state deserve the same kind of careful examination that Crouch has given to the patrimonial elements in Indonesia and that Thomas Callaghy has given to the "patrimonial administrative state" in Zaire.[109]

It would seem that the most important task of future research should be to explain *why* patrimonial features have persisted in the Philippines despite enormous change (for example, in regime type, in increasing levels of economic complexity and "modernization") and yet elsewhere seem to have subsided in the face of change. "Patrimonialism" is a label under which one can find enormous variation according to the relative historical strengths of state and society, the nature of domestic coalitions, and the economic and strategic relationships of a country to external forces. Closer examination of these factors will be useful both in developing a clearer and more comprehensive model of "comparative patrimonialism" and in explaining the *persistence* and *evolution* of patrimonial features. The "bureaucratic polity" in Thailand, for example, displayed many patrimonial characteristics, but the nature of that patrimonialism—in which a bureaucratic elite extracted privilege from a historically weak business class—contrasts in many ways with patrimonial features in the Philippines, where a powerful oligarchic business class extracts privilege from a largely incoherent bureaucracy. Likewise, the current evolution of relations between the state and the business community in Thailand contrasts with the basic continuities that have endured in the Philippine setting.

In the midst of enormous change there has been no effective pressure from either external or domestic forces to undermine the patrimonial features of the Philippine state. For largely strategic reasons, of course, the system has been continually funded by external forces.[110] And be-

[109] See Crouch (fn. 11); and Callaghy (fn. 11).

[110] As Gustave Ranis wrote in 1989, discussing the country's strong standing with the U.S. and Japan,

> There is likely to be overwhelmingly strong "need to lend" for geo-political reasons, on the one hand, and for the "need to borrow" to avoid domestic adjustment, on the other. As a consequence the system will probably find it possible to continue its non-optimal growth path for some time to come. . . . [T]he very economic opportunity that the Phil-

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cause patrimonial features in the Philippines reward oligarchs according to their proximity to the political machinery, those who are temporarily "on the outs" exert far more effort in trying to restore such proximity than in pressing for profound structural change.

This article has highlighted patrimonial features found in the relationship between state and dominant economic interests, but the framework would also have a high degree of utility in discussing the Philippine military (see Wurfel, 256), as well as local politics[111] and other areas. It is also important to emphasize that a focus on oligarchs and cronies in the Philippine state by no means implies that analyses of the state's relations with *domestic popular forces* or *external actors* are any less important in developing a comprehensive understanding of the Philippine state. In discussing "patterns of class domination" (p. 162), for example, Hawes is entirely correct to show which side the state is on, and it is important to emphasize the crucial role played by the U.S.-supported system of state repression in protecting plunderers from revolutionary upheaval.[112]

Building on Broad's work, a fuller understanding of the Philippine state requires clear analysis of why external actors remain so powerful in Philippine policy formulation, when other economies in the region that used to be similarly "dependent" have since managed to carve out stronger roles for themselves. For a start, it is worth inquiring as to how cliental relations with the United States seem to have insulated Philippine elites from any real sense of intrastate competition—competition that has often been the historic starting point for serious state-building projects.[113] For most of this century the oligarchy's major external concern has been how to ensure continued U.S. sponsorship for their domestic hegemony. The plunder of the Philippine state is not self-sustaining; ultimately, it depends on the international dole. As U.S. strategic perceptions change, and the oligarchy finds it increasingly difficult to use the military bases to extract critical support from Washington patrons, one might begin to see changes as well in the nature of the Philippine state.

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ippines' geo-political importance provides threatens to be the undoing of its political economy. (Ranis [fn. 104], 154)

[111] As attested by the current research of John Sidel of Cornell University; see Sidel, "Big Men with Bolos, Bosses, Bullets, Bank Loans, and Eus Companies: Local Power in Philippine Politics" (Unpublished manuscript, 1990).

[112] When it comes to arrests of labor leaders or military harassment of peasant communities, of course, the state is very clearly an "independent actor" vis-à-vis societal forces.

[113] Joel Migdal, for example, writes that "a prime motivation for state leaders to attempt to stretch the state's rule-making domain within its formal boundaries, even with all the risks that has entailed, has been to build sufficient clout to survive the dangers posed by those outside its boundaries, from the world of states"; Migdal, *Strong Societies and Weak States* (Princeton: Princeton University Press, 1988), 21.

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DOES MODERNIZATION BREED ETHNIC POLITICAL CONFLICT?

By SAUL NEWMAN

Fouad Ajami, *The Vanished Imam: Musa al Sadr and the Shia of Lebanon*. Ithaca, N.Y. : Cornell University Press, 1986, 228 pp.
Donald L. Horowitz, *Ethnic Groups in Conflict*. Berkeley: University of California Press, 1985, 697 pp.
Joseph Rothschild, *Ethnopolitics: A Conceptual Framework*. New York: Columbia University Press, 1981, 290 pp.
Anthony D. Smith, *The Ethnic Revival*. Cambridge: Cambridge University Press, 1981, 240 pp.
Edward A. Tiryakian and Ronald Rogowski, eds., *New Nationalisms of the Developed West: Toward Explanation*. Boston: Allen and Unwin, 1985, 394 pp.

IN the last decade social scientists devoted considerable attention to the study of ethnic political activity throughout the world, a renewed interest that came in response to empirical and theoretical circumstances. Since the early 1960s there have been many manifestations of ethnic political conflict in both industrialized and developing states. This conflict has resulted in profound political change and personal suffering in many of the well over one hundred nation-states that contain significant ethnic minorities. The theoretical tools available to social scientists in the early 1960s were unable to account for the persistence of these conflicts. As a result, scholars have more recently undertaken to study anew various aspects of ethnic political activity, in the hope that theory can catch up to empirical reality. Despite these efforts, however, considerable gaps still remain in the theoretical literature. Much of the study of ethnic politics since World War II has been conditioned by the study of economic modernization and political development as delineated in the writings of Karl Marx and Emile Durkheim. Because the ethnic politics literature evolved within the confines of these modernization and development paradigms, it necessarily tended to emphasize certain issues and failed to address others.[1] Until the early 1970s scholars argued that ethnic conflict would subside with the emergence of "modern" societies. When this failed to occur, these "melting pot modernization" theories were re-

[1] Although there were ethnic politics theories that did not come under the modernization rubric, they were certainly in the minority. In this review article I will focus on this dominant strain within the literature.

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placed, in the mid-1970s, by "conflictual modernization" theories, which argued that growing interethnic social and economic activity would increase the likelihood of interethnic conflict. Economic modernization was thereby elevated to the level of a sufficient condition for the emergence of ethnic political conflict. Emphasis was placed on the social and economic changes that preceded the emergence of ethnic conflict and on the political elites that exploited these changes, but little attention was paid to the structure and composition of ethnic political movements or to the content of ethnic political debate. Since the mid-1980s proponents of a "psychological" approach to the study of ethnic political conflict have tried to develop a new theoretical framework that would redress many of the weaknesses of the conflictual modernization approach. They have been unable to articulate a logically consistent alternative, however.

The weaknesses of the ethnic politics literature stem from a misinterpretation of the relationship between modernization and ethnic conflict. Because of their dependence on the modernization approach, conflictual modernization theorists, such as Walker Connor and Anthony Smith, have predictably emphasized certain issues. An examination of the evolution of the ethnic politics literature will shed some light on the manner in which social science paradigms define, and sometimes constrain, the investigation of political phenomena. All too often, important areas of investigation in the study of ethnic politics have been ignored because of paradigmatic closure. But in the 1990s, with the world's attention focused on ethnic political conflict in Canada, Eastern Europe, and the Soviet Union, it is particularly important that researchers throw off these constraints.

The problem is that students of ethnic politics have failed to exploit the theoretical implications of the modernization process to its fullest. They now need to develop a new ethnic modernization theory that highlights the relationship between modernization and the institutionalization, composition, and ideologies of ethnic political movements. In the course of modernization ethnic political identities and institutions are repeatedly created and re-created anew, a process that constantly destroys the old ethnic loyalties while creating new ethnic ideologies, institutions, and constituencies. The process of modernization explains not only the origins of ethnic conflict but also the form of that conflict, and the success or failure of specific ethnic political movements.

We will attempt to reinvigorate the conflictual modernization approach and test its utility by briefly examining cases of ethnic political conflict that have emerged in Western Europe and North America since the late 1960s. As we shall see, the success of ethnoregional political par-

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ties such as the Parti Québecois (PQ) in Quebec, the Scottish National Party (SNP) in Scotland, and the Volksunie (VU), Rassemblement Wallon (RW), and Front Démocratique des Francophones (FDF) in Belgium can be attributed to the process of social and economic modernization that accompanies the emergence of a postindustrial society.[2] These cases illustrate that conflictual modernization theory can do more than identify the variables that give rise to ethnic political movements. It can also be used to explain and analyze the ideologies and organizations of ethnic political movements in both developing and industrialized states.

By examining how the modernization process provides the ideological and organizational resources for new ethnic movements, we can begin to merge the study of ethnic conflict with the study of new social movements and resource mobilization. From this endeavor may emerge a comprehensive explanation of why and how certain ethnic identities become politicized and why some ethnic movements succeed whereas others fail.

Ethnicity: From "Primordial" Obligation to Modern Identification

Twentieth-century approaches to the study of ethnicity in politics can be traced back to the writings of Marx and Durkheim, both of whom evaluated ethnic identities as part of a larger set of phenomena subject to transformation by the forces of economic modernization. For Marx, ethnic nationalism and religion were both integral parts of the superstructure created by the dominant economic and political classes.[3] Like religion, ethnicity could be used by the dominant classes to legitimize their rule, bind together different classes through the creation of a false consciousness, and foster political passivity among the economically weaker classes. The "idea" of the ethnic group was transformed into a "higher idea" than the reality that flowed from the material conditions of existence. The process of modernization was expected to culminate in the victory of the proletariat, meaning that ethnic nationalism would ultimately disappear as would other social manifestations of class domination. The Marxist scholarly legacy, which influenced Marxists and non-Marxists alike, was to analyze the role of ethnicity in politics as a

[2] For a detailed discussion of these cases, see Saul Newman, "The Ethnic Dilemma: The Rise and Decline of Ethnoregional Political Parties in Scotland, Belgium, and Quebec" (Ph.D. diss., Princeton University, 1989).

[3] Marx writes about the larger issue of consciousness flowing from the material conditions of existence; see Marx, "The German Ideology: Part I," in Robert C. Tucker, ed., *The Marx-Engels Reader,* 2d ed. (New York: W. W. Norton, 1978), 158, 159, 164, 165.

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comparatively ephemeral phenomenon, to be shaped, and eventually destroyed, by the forces of modernization.

Durkheim argued that the process of economic modernization leads to a division of labor,[4] which has the potential to replace a mechanically integrated society with an organically integrated society. A mechanically integrated society is united by a collective conscience created by a series of "primordial" identifications. These remarkably enduring primordial identifications contain the sacred symbols that reproduce the social structure of a society. Consequently, the collective conscience plays an indispensable role in the maintenance of social unity. With the change to a society based on the division of labor, however, every citizen becomes dependent on every other citizen, because no one person can be self-sufficient. Each person is a small piece in a huge puzzle that can only be completed when each performs his or her particular role. In this organically integrated society—the product of economic modernization—the primordial collective conscience is no longer relevant to the integration and survival of society. Ethnic identification, having been rendered dysfunctional, will therefore disappear.[5]

Although many scholars endorsed either Marx's or Durkheim's melting pot modernization approach, the weight of empirical evidence eventually overwhelmed these theoretical arguments. It became increasingly obvious in the 1960s that there was something fundamentally wrong with their dominant paradigms as they related to ethnic political conflict.[6] As such conflicts increased in number and scope, they were perceived as more than just a stubborn relic of a bygone era. Rather, ethnic conflict in the Third World was considered a result of new social strains.[7] This strain theory was borrowed from the rediscovery of Durkheim's anomie. According to Durkheim, the anomic individual will resort to suicide during the disorienting process of modernization, that is, in the period after the disappearance of the mechanically integrated society and

[4] Durkheim discusses the relationship between modernization and ethnicity; see Durkheim, *The Division of Labor in Society*, trans. George Simpson (New York: Free Press, 1933), chap. 6.

[5] There are two caveats to this statement. Later on we will discuss one of them: the survival of dysfunctional identifications during the process of achieving a mechanically integrated society. The second relates to the possible tension between Durkheim's early writing in *The Division of Labor in Society* and his later *The Elementary Forms of the Religious Life*. In this second work Durkheim is less willing to predict the disappearance of a collective conscience. Nevertheless, the historical development of the ethnic politics literature has been largely dependent on Durkheim's earlier conclusions in *The Division of Labor in Society*.

[6] The mainstream of American political science also began to reevaluate the modernization perspective as it related to the economic modernization and political development of the Third World.

[7] The term "strain theory" comes from the writings of Clifford Geertz. See David E. Apter, ed., *Ideology and Discontent* (New York: Free Press, 1964).

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before the creation of the organically integrated society. Strain theorists argued that as ascriptive ties lose their political relevance, unintegrated citizens, looking for an anchor in a sea of changes, will grab hold of an increasingly anachronistic ethnic identity, which bursts onto the scene and then recedes as the process of structural differentiation moves toward a reintegrated society.[8] Thus, ethnicity might resurge temporarily, but like suicide, it is a manifestation of anomie that will inexorably disappear.

This perspective, too, fell prey to the overwhelming weight of evidence against it. Not only did ethnic political conflict continue unabated in the Third World, but it also appeared in the industrialized world. In Northern Ireland the "troubles" resulted in violence of the type once believed to be reserved for Third World states. In Quebec, Scotland, Wales, and Belgium ethnic political movements challenged the legitimacy of centralized states. These challenges were clearly more than just a hiccup in the modernization process, a fleeting disjuncture between differentiation and integration. Proponents of melting pot modernization were forced to rethink its relevance to the study of ethnic political conflict.

Rather than abandoning an analysis of the modernization process, scholars sought to rework the theories dealing with the influence of modernization on ethnic political relations.[9] In a series of articles Walker Connor argued that the process of economic modernization does not undermine ethnic divisions but invigorates them[10] by bringing together previously isolated ethnic groups that suddenly find themselves competing for the same economic niches. Therefore, modernization, rather than resulting in a new form of integration, increases ethnic group interactions that may heighten conflicts. Proponents of this conflictual modernization approach argued that during the process of urbanization people compete for occupational positions and seek out their ethnic identity—

[8] This version of strain theory, prevalent in the 1960s, was delineated in Neil J. Smelser, "Mechanisms of Change and Adjustment to Change," in Bert F. Hoselitz and Wilbert E. Moore, eds., *Industrialization and Society* (The Hague: UNESCO and Mouton, 1963), 41.

[9] Melting pot modernization theorists such as Geertz had hinted at the role that modernization might play in the enhancement of ethnic conflict. Nevertheless, it was up to other scholars to state this explicitly; Geertz, ed., *Old Societies and New States: The Quest for Modernity in Asia and Africa* (New York: Free Press, 1963).

Some people began to develop newer interpretations of ethnic political conflict that did not depend on the modernization paradigm. Some focused on the role of business or labor rivalries in determining ethnic conflict, while others developed a cultural pluralist model that emphasized the isolation of ethnic groups in maintaining ethnic peace. Yet the dominant interpretation of ethnic political activity remained firmly rooted in the modernization perspective.

[10] A key article in this series is Connor, "The Politics of Ethnonationalism," *Journal of International Affairs* 27 (January 1973), 1–21.

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that is, tie their condition to the plight of a larger social group—as a tool in promoting their economic and political demands. Of course, the process of modernization could also unite previously separate ethnic groups if their short-term and long-term economic and political interests coincided.

This reinterpretation of the relationship between modernization and ethnicity had a profound influence on the study of ethnic political conflict. No longer was it dismissed as a primordial identity that would soon be outgrown. Ethnicity was instead seen as an identity that could be constantly created and re-created to suit particular political goals,[11] as a tool in the struggle to achieve political goals rather than simply as a comforting environment for the anomic individual. Ethnicity was not a "primordial attachment that stems from the 'givens' . . . of social existence."[12]

Crawford Young clarified the new understanding of ethnicity as an identity that could be created and re-created anew to suit particular economic and political circumstances:

> Cultural identities are not usefully described as primordial, but are for the most part relatively new, and vastly expanded in scale. . . . Identity, at bottom is a subjective self-concept or social role; it is often variable, overlapping and situational. . . . "We" is defined in part by "they"; the relevant other in a social setting is central in shaping role selection.[13]

This fungible interpretation of ethnicity had important ramifications. The careful definition of the characteristics of ethnic identity—cultural, religious, territorial, racial, and ancestral markers—became increasingly irrelevant because ethnic identification was viewed as changing to suit changing ends. The scholarly effort turned instead to determining how the process of modernization shaped those forces that resulted in the renewal of ethnic conflict—to addressing the question: What forces promoted ethnic political conflict?[14]

Explaining the Ethnic "Revival": Building on the Conflictual Modernization Approach

In *The Ethnic Revival*, Anthony Smith applies Connor's approach in accounting for a centuries-old tradition of ethnic political activity. Histor-

[11] See Nathan Glazer and Daniel P. Moynihan, *Ethnicity: Theory and Experience* (Cambridge: Harvard University Press, 1975), chap.1.

[12] Geertz, "The Integrative Revolution: Primordial Sentiments and Civil Politics in the New States," in Geertz (fn. 9).

[13] Young, *The Politics of Cultural Pluralism* (Madison: University of Wisconsin Press, 1976), 65.

[14] A whole new set of theories arose out of this reformulation. Arend Lijphart lists eight

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ically, ethnic ties have waxed and waned in importance in response to interstate conflict, sometimes serving as a mobilizing mechanism for war. With the birth of the modern state, tensions between economic modernization and political development fed ethnic conflict. The new bureaucratic state sought its legitimacy in scientific rationality rather than in divine right. Simultaneously economic and educational modernization produced an ever-expanding population of secular intellectuals eager to reinforce this legitimacy and an intelligentsia prepared to staff the expanding bureaucracies. However, when potential bureaucrats moved to the metropolis to take up positions in the state commensurate with their training and education, they found that there was no room for them in the state bureaucracy. Disgruntled, they returned to their ethnic group to lead ethnic political movements that provided an institutional legitimacy for their perceptions of injustice.

Smith turns Weber and Durkheim on their heads by arguing that the processes of economic modernization and political development often act at cross-purposes. By focusing on the process of political rationalization rather than on Weber's ideal types, he is also able to identify the "irrational" results of the rationalization process. However, Smith's parsimonious argument leaves too much unexplained. He does not define ethnicity, viewing that task as a function of the manipulative ideologies of ethnic elites. Moreover, although he can describe a proclivity for ethnic political activity, he cannot completely explain any particular ethnic political revival. For example, to account for the recent rise of ethnic political activity in the Western world, Smith refers to the role played by the collapse of colonial empires, the disjuncture between state boundaries and ethnic groups, and the rise of technocratic managerical politics (chap. 9).[15] He says that declining respect for the state at a time when the state is becoming increasingly centralized and intrusive has led to the mobilization of ethnic movements that attempt to make states smaller and more representative of ethnic boundaries. None of these explanations derives from the conflictual modernization perspective that he claims serves as his intellectual nourishment. The decline of empire and the delineation of national borders have little to do with the effect of modernization on ethnic politics. In addition, the growth of the technocratic state after World

approaches to explain the existence of ethnic political activity in the Western world. See Lijphart, "Political Theories and the Explanation of Ethnic Conflict in the Western World: Falsified Predictions and Plausible Postdictions," in Milton J. Esman, ed., *Ethnic Conflict in the Western World* (Ithaca, N.Y.: Cornell University Press, 1977), chap. 2.

[15] Such explanations might logically have been derived from the rise of ethnic nationalism in the United Kingdom and Belgium. Both these states saw a rise in ethnic conflict as their empires dissolved.

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War II should if anything have increased the opportunities for technocratic managers. Smith's ad hoc explanations, which do not focus on an overproduction of an intelligentsia, lead to a serious disjuncture between the necessary and sufficient conditions for the revival of ethnic political activity.

Furthermore, by focusing on modernization rather than on ethnic identities, Smith fails to solidify the connection between the two. Why should secularizing intellectuals turn to ethnic historicism instead of radical secular ideologies such as Marxism? Smith's failure to account adequately for this decision typifies the failure of the ethnic modernization literature to find its ethnic component.

Finally, Smith is content to understand the motivations of elites alone. But this leaves empirical gaps in his understanding of ethnic movements because the overwhelming majority of ethnic political movement members are not dissatisfied bureaucratic intelligentsia.[16] They also make up a very small percentage of the membership of ethnic political movements. How, then, do these elites mobilize mass support? More importantly, why should the mass of supporters promote an agenda designed to suit the personal needs of a narrow sector of the intelligentsia? The strengths and weaknesses of Smith's argument were reproduced in the work of many other scholars loyal to Connor's modernization approach.[17] In response to the weaknesses, scholars began to rework the conflictual modernization paradigm again.

Reworking the Conflictual Modernization Paradigm

By the early 1980s some scholars had begun to realize that the popular theories for explaining ethnic political conflict were incomplete. Too

[16] Survey data from Scotland and Belgium indicate that the bureaucratic intelligentsia is actually underrepresented in ethnic political parties compared with the population at large. See Ivor Crewe and Bo Sarlvik, Scottish Election Study, October 1974, available through the Inter-University Consortium for Political and Social Research; and N. Delruelle et al., *Citoyen belge dans le système politique* (AGLOP) (Brussels: Institut Belge de science politique, 1975).

[17] There is one notable work that avoids all of the weaknesses of the modernization approach while highlighting many of its strengths. Young (fn. 13) addresses most of the issues not analyzed by the modernization theorists. He emphasizes the role of re-created identities in politicizing ethnicity in the Third World, mobilizing mass support, and defining the direction and scope of ethnic political activity. In addition, Young also borrows from cultural pluralist arguments in highlighting the social, economic, and political relations of subordination and domination among ethnic groups in defining the direction of ethnic conflict.

The weaknesses of the ethnic modernization approach and of modernization theory in general fed the heated intellectual debate that surrounded the internal colonialism approach of Michael Hechter; see Hechter, *Internal Colonialism: The Celtic Fringe in British National Development, 1536–1966* (Berkeley: University of California Press, 1975). Despite its novel approach to the relationship between modernization and ethnicity, Hechter's arguments suffer from the same weaknesses as the more mainstream modernization approaches.

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many aspects of ethnic political activity were either poorly explained or left unexplained altogether. The ethnic politics literature of the 1970s had examined large economic and political changes and assumed that ethnic political activity would result from these changes. This approach tended to identify these changes as sufficient, rather than merely necessary, conditions for the rise of ethnic political movements. Just as the modernization approach had incorrectly assumed that Third World states would rapidly achieve economic parity with the early industrializers of the West, its ethnic derivative assumed the inexorable influence of modernization. Little attention was paid to the political obstacles faced by new ethnic movements. The conflictual modernization approach also did not fully examine how the processes of economic modernization and political development might result in different manifestations of ethnic political activity, depending on the balance of demographic, social, economic and political resources among ethnic groups within a state. It failed to draw any generalizable conclusions about what patterns of social, economic, and political change might result in certain manifestations of ethnic political activity.

Several scholars of the ethnic politics literature in the early 1980s expanded the conflictual modernization approach to address these deficiencies. It included not only the theoretical works discussed below, but also case studies such as the work of H. M. Drucker and Gordon Brown and that of Kenneth McRoberts and Dale Posgate.[18] This new literature owed much to cultural pluralist arguments, which highlighted relations of domination and subordination between ethnic groups under colonialism. Scholars such as John Sydenham Furnivall and Michael Garfield Smith examined states in which several different cultural groups tried to form a common society.[19] They argued that one cultural group will inevitably have to be politically and culturally dominant for a cross-cultural community to emerge. Their research focused on the importance of analyzing ethnic domination by examining the distribution of economic and political resources among ethnic groups.

In *Ethnopolitics: A Conceptual Framework*, Joseph Rothschild's conflictual modernization approach, the author introduces ethnic groups and the state as actors with economic and political resources at their disposal. Since the early 1960s ethnic political activity has been triggered by the differential impact of modernization on ethnic groups and by a decline

[18] Drucker and Brown, *The Politics of Nationalism and Devolution* (London: Longman, 1980); Kenneth McRoberts and Dale Posgate, *Quebec: Social Change and Political Crises,* rev. ed. (Toronto: McClelland Stewart, 1980).

[19] Furnivall, *Colonial Policy and Practice* (London: Cambridge University Press, 1948); Smith, *The Plural Society in the British West Indies* (Berkeley and Los Angeles: University of California Press, 1965).

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in respect for the state. The latter has emboldened ethnic movements to challenge the state's legitimacy. However, says Rothschild, the form or existence of ethnic political activity is dependent on the balance among ethnic groups within a given state. Therefore, to argue that changes in the status quo, such as social mobility, will politicize ethnic identifications, one must first understand the status quo, that is, the demographic, economic, and political balance among ethnic groups within a state. Rothschild argues that these balances determine the resources and opportunities available to ethnic groups in their political battles. The most common balance is a reticulate model where

> each ethnic group pursues a wide range of economic functions and occupations, and each economic class and sector organically incorporates members of several ethnic categories. But a certain amount of overrepresentation and underrepresentation of ethnic groups within economic classes and political power clusters is possible—indeed, likely. (pp. 81–82)

Within this reticulate system either the dominant or the subordinate group can politicize ethnic identifications, with strategy determined by the demographic, political, and economic balance as well as the choices of the ethnic leadership. Moreover, the state itself often uses its immense resources to politicize ethnic identifications.

Rothschild moves beyond earlier approaches by arguing that economic modernization and political development do not provide the necessary and sufficient conditions for the politicization of ethnic identifications. Instead the sufficient conditions for the rise of ethnic political movements are dependent on the economic, political, and ideological resources available to ethnic groups. Additional attention must be paid to the actual composition, traits, and cultural markers of an ethnic group, even if these groups were newly re-created by the forces of modernization.[20] In this, Rothschild borrowed from the resource mobilization school that studies political movements.[21] His approach holds out the hope of developing theories that emphasize the ethnic content of ethnic political activity. It could also move beyond a mere analysis of the general proclivity toward ethnic conflict and actually study the political obstacles to the achievement of the goals of ethnic political movements.

[20] Relations of subordination and domination among ethnic groups had been an important component of the cultural pluralist and Marxist writings on ethnicity, as well as of the writings of Crawford Young. In the early 1980s scholars sought to categorize these relationships in the hope that they would determine the resources and strategies of new ethnic political movements. The earlier theorists had used these relations mainly to determine the conditions for the existence of ethnic political identities.

[21] For a critical analysis of this school, see Thomas R. Rochon, "Political Movements and State Authority in Liberal Democracies," *World Politics* 42 (January 1990), 299–313.

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Edward Tiryakian and Ronald Rogowski's *New Nationalisms of the Developed West: Toward Explanation* is another attempt to expand the modernization perspective and address these outstanding issues.[22] In "Causes and Varieties of Nationalism: A Rationalist Account," Rogowski uses rational choice theory to predict when ethnic identities will result in political conflict and to describe the ideological forms these conflicts will take. He emphasizes that modernization may create the necessary conditions for ethnic political activity but that the actual development of this conflict depends upon the balance of resources available to the various ethnic groups within a state. The modernization process determines the economic and political resources available to specific ethnic groups, and the relative levels of these resources in turn structure ethnic group ideologies, strategies, and political organization. Rogowski focuses both on "plural" states in which one ethnic group dominates another in a hierarchical cultural division of labor and on "pillarized" societies in which each ethnic group retains the skills necessary for the creation of a completely independent state. He argues that rational choice theory can explain how individuals from each type of ethnic group within a state react to ethnic group dominance—whether by assimilation, isolation, apathy, resistance, or minority nationalism. In addition, rational choice can also be used to explain the invention of a new ethnic identity or the option of nonethnic resistance to subordination.

Rogowski develops a series of hypotheses derived from his rational choice approach. In a state with a cultural division of labor and a stable system of social stratification, ethnic nationalism will be nonexistent. Upwardly mobile members of the subordinate ethnic group will lead a radical nationalist movement if they have not been assimilated by the dominant culture. This is the most prevalent form of nationalism, according to Rogowski; in the last fifty years it has appeared in Nazi Germany, India, Quebec, Scotland, and Africa (Rogowski and Tiryakian, 93). Conversely, upward mobility among the subordinates may result in a reactive nationalism among the nonelites of the dominant culture. This "redneck" nationalism has developed among Afrikaners, as well as among whites in Rhodesia and the American South and Protestants in Northern Ireland (p. 94). Downward mobility among members of the elite culture will not lead to nationalism unless these declining elites are expelled

[22] The volume by Tiryakian and Rogowski is divided into a theoretical/methodological part and comparative case studies. Many of the theoretical articles bear little relation to each other or focus only on certain specific aspects of ethnic movements. The case studies differ in their examination of religious, ethnic, and economic factors in Catalan, Scottish, Welsh, and Quebec nationalism. Rogowski's contribution is one of the few that lays out a parsimonious theory to account for the behavior of all ethnic movements in the developed West.

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from the elite culture, at which point they lead the resistance of the subordinate ethnic group.

Furthermore, a change in the mode of production in a state with a cultural division of labor that "renders obsolete" the skills of the ethnic elite may give rise to a nonelite, radical nationalism such as the nationalisms of eighteenth- and nineteenth-century Europe that followed the decline of landowning aristocracies (p. 95). If the changes in the mode of production lead to the deskilling of the subordinate group, then there will not be a rise in nationalist activity because the subordinate group will lack the skilled elites to direct the movement. If a change in the scale of production displaces an old elite and replaces it with a new one, then a radical nationalist movement will arise. However, if a cultural division of labor remains stable, then the pressure of a subordinate culture to assimilate would not, in and of itself, induce a subordinate nationalism. In addition, changes in the terms of trade between a subordinate and dominant ethnic group will not result in nationalism unless these changes improve the position of the nonelite and appear to be of a long duration. Then the resulting nationalism would be conservative, antirevolutionary, and nonviolent.

Following his description of nationalist possibilities in societies with a cultural division of labor, Rogowski turns to pillarized societies. If social mobility is much higher in one culture than in another in a pillarized society, either ethnic group may resort to manipulative nationalism, designed by traditional elites to maintain their position. This occurred in Quebec with the emergence of a conservative nationalism designed to preserve a rural parish culture as the province modernized between 1936 and 1960. If a new mode of production makes it costly to maintain traditional patterns of peaceful coexistence, ethnic conflict will ensue, with each ethnic group trying to assimilate its opponent's "inferior" culture. Rogowski believes this may have been the case in the conflict that developed between declining German Catholics and rising German Protestants with the growth of capitalism following the Reformation (p. 100). Under the status quo the elites of each ethnic group try to maintain social divisions between the two groups at the nonelite level so as to preserve a consociational society supported by two conservative nationalisms. However, if one culture decides to break that status quo either through assimilating the other culture or by destroying social unity, an elite-led defensive nationalism will develop within the threatened group.

Despite its contributions, Rogowski's typology suffers from some of the weaknesses previously emphasized in our review of the conflictual modernization approach. Essentially, his rational choice analysis turns upon the resources available to an ethnic elite: the existence of an ethnic

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political movement depends on a sufficiently large ethnic elite with the requisite skills and resources to mobilize political support and sustain a movement. If this ethnic elite feels that a change in economic conditions opens a window of opportunity to expand its political power, it will act decisively, mobilizing an ethnic movement. Once again ethnic ideologies are resources to be mobilized at the behest of manipulative elites.

This conclusion is unsatisfactory from several perspectives. A rational choice theory should remain internally consistent. All participants should be acting in their own rational interest based on their own calculations. Even if supporters of an ethnic movement may eventually benefit from the movement, it appears that their decision to support the movement is rooted in an ideology formulated by an ethnic elite to further its own social and political positions. In fact, in some forms of ethnic nationalism this ideology is formulated against the interests of the mass of supporters. The dominant form of Francophone nationalism in Quebec between 1936 and 1960 encouraged a cultural nationalism that reinforced the dominance of Francophone political and religious elites while denying economic opportunities to the masses of Quebec Francophones. Thus, the acceptance of rational decision making for ethnic elites requires the denial of rational behavior on the part of their followers. From a methodological perspective this approach is therefore internally inconsistent. Essentially, Rogowski's argument suffers from the free-rider problem. Although it may appear rational for leaders to lead in order to obtain access to state economic and political resources, the followers need not follow. They do not directly benefit from ethnic nationalist agitation and moreover risk losing the economic resources they have. It is also doubtful that founders of radical nationalist movements can provide selective incentives to mobilize support before they have gained access to state resources.[23] From a theoretical perspective, Rogowski's reliance on the role of economic change in shaping an interest-laden ethnic political identity once again results in a description of ethnic nationalism that is manipulated by an elite.

A New Approach: The Psychological Dynamic

In response to the weaknesses of the dominant approaches to the study of ethnic politics, Donald Horowitz introduced a new approach in *Ethnic Groups in Conflict*. He holds a deep conviction that there is a unique

[23] Later in the volume Jack Brand argues that even electorally successful ethnic parties have trouble acquiring access to selective incentives. In his study of the rise of the SNP, Brand argues that the SNP could not have transformed governmental outputs into selective incentives for party members. All governmental programs were executed by the Scottish Office, an office over which the SNP had no control (Tiryakian and Rogowski, 282–83).

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ethnic dynamic, some component of ethnicity that allows it to overwhelm what are perceived to be rational economic and political interests. In many Asian and African countries, for example, ethnic conflict seems to dominate the political arena, even when the mobilization along ethnic lines is not in the interests of elites or followers. Horowitz emphasizes a psychological dynamic that underlies the relationship between the causes of conflict, the development of an ethnic agenda, and the consequent permutations that these conflicts undergo. This emphasis on a psychological dynamic is an attempt to shift the focus of analysis from the structural conditions underlying ethnic conflict to a Weberian emphasis on *verstehen*: social, economic, and political changes result in ethnic conflict only as they are filtered through the mind of the political animal.

Horowitz seeks to develop a theory that will explain many aspects of ethnic conflict in Asia and Africa, including the severity of ethnic conflict; the forces that shape ethnic groups; the relationship between ethnic conflict and social class conflict; the goals and strategies of ethnic political movements; the likelihood of ethnic movements achieving their goals; the dynamics of ethnic party conflicts; the dynamics of ethnic military coups; and public policy alternatives for limiting ethnic conflict.

According to Horowitz, ethnic groups are constantly created and recreated anew. In establishing political boundaries in Asia and Africa, the colonial powers redefined the size and scope of ethnic groups. The expanded political boundaries led to the assimilation and differentiation of ethnic groups; as old groups disappeared, new ones emerged and others simply merged or split. The likelihood or intensity of ethnic conflict is therefore not dependent on particular aspects of ethnicity, such as race, language, and common ancestry. And no one trait is necessarily more incendiary than another in promoting ethnic tensions.

Horowitz is particularly attentive to the ability of ethnic conflict to overwhelm social class divisions; that is, he would argue, there is something unique about ethnic identity. Whereas individuals can overcome their social class and whereas social mobility is possible from generation to generation, ethnic ties are ascriptive. If one is born into an ethnic group, so be it; one cannot maneuver out of one's ethnic identity. Horowitz bases this argument on the notion that ethnicity is a comparative concept, and if the members of ethnic group B define someone as a member of ethnic group A, that individual is powerless to object. However, this argument flies in the face of the mutability argument, which presupposes that ethnicity is constantly being redefined. Why should B be able to define the ethnicity of A and A be unable to define his own ethnicity? Moreover, if A can redefine the ethnic identity of B, that should influence how B defines A.

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According to Horowitz, the only way to study ethnic conflict is by first determining the social composition of competing ethnic groups. In a *ranked* ethnic system,

> mobility opportunities are restricted by group identity. In such systems, political, economic, and social status tend to be cumulative, so that members of [one] group are simultaneously subordinate in each of these ways to members of [another] group. Relations between the groups entail clearly understood conceptions of superordinate and subordinate status. (p. 22)

In such a system ethnic conflict will most likely take the form of a social revolution that emphasizes ideological divisions of class rather than ethnicity. However, in *unranked* systems conflict among ethnic groups is most likely to take the form of explicit ethnic conflict.

> In unranked systems, on the other hand, parallel ethnic groups coexist, each group internally stratified. Unlike ranked ethnic groups, which are ascriptively defined components of a single society, parallel groups are themselves incipient whole societies and indeed may formerly have constituted more or less autonomous whole societies. (p. 23)

Unranked ethnic systems have the potential for erupting into ethnic conflict because each ethnic group maintains a set of evaluations of other ethnic groups that defines stereotypical perceptions of other ethnic groups. These evaluations can be negative or positive in content and can reflect views of unranked ethnic groups as backward or advanced. Evaluations of backward groups include the terms lazy, traditional, submissive, and unintelligent. In turn the evaluations of advanced groups include enterprising, aggressive, arrogant, cunning, and miserly.

These evaluations had been advanced by the European colonizers to suit their own interests. Once verbalized and delineated, these perceptions of ethnic differences eventually found their way into governmental policy. Colonizers used different ethnic groups to divide and conquer, often selecting certain groups to staff their bureaucracies and armies. Their evaluations, based in group stereotypes, often became part of the nomenclature of the individual ethnic groups. Following the abandonment of the colony by the colonizer, certain political events highlighted these stereotypes and incited ethnic conflict. These conflicts erupted during the contest for preeminence in the independent state and were exacerbated by political events that required the delineation of boundaries and the dividing of resources among ethnic groups, such as a statewide census. At every stage of political development and national integration, then, each ethnic group invokes its own symbolic legitimacy in the polity.[24]

[24] In Parts II–V of the book Horowitz uses his typology of advanced and backward regions

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Horowitz confronts many previously ignored issues. He argues that there is a logic to ethnic conflict that influences the perceptions and actions of leaders and followers alike. This ethnic logic cannot be directly translated into rational decision making, precisely because it is conditioned by a dynamic internal to the comparative nature of ethnic identity and is not dependent on purely economic and political concerns. This psychological dynamic feeds ethnic conflict at all stages and can determine the direction of ethnic conflict, as well as the strategies of ethnic political movements. Thus, once the causes of the rise of ethnic conflict have been explained, the agenda of political conflict is also described. By contrast, once the modernization theorists had described the causes of ethnic political conflict their job was complete.

There are certain limitations to Horowitz's hypotheses, however. Horowitz rejects the economic explanations for the rise of ethnic conflict in the Third World and, as a result, relies on the intervention of an external force—the colonizer—to disrupt the delicate balance between ethnic groups in the Third World. In unranked ethnic systems the perceptions developed and reinforced by the colonizer set in motion the dynamics of ethnic conflict. However, Horowitz realizes that he must explain how these perceptions maintain their credibility in the postcolonial era. After all, as Barrington Moore writes, "The assumption of inertia, that cultural and social continuity do not require explanation, obliterates the fact that both have to be recreated anew in each generation, often with great pain and suffering."[25] Consequently, Horowitz argues:

> The colonists set in motion a comparative process by which aptitudes and disabilities imputed to ethnic groups were to be evaluated. Those evaluations, solidly based in the group disparities that emerged, could not be dismissed as the irrelevant invention of a foreign overlord. Like the new polity and economy in which the disparities were embedded, the evaluations took hold. (p. 164)

There are both theoretical and practical problems with this argument. If these evaluations assume concrete expression in actual group disparities, why rely on the evaluations rather than on the disparities themselves to explain ethnic conflict? Horowitz's desire to disprove economic explanations for the rise of ethnic conflict has forced him to reject even the economic explanations that flow logically from his own theories. When

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and advanced and backward ethnic groups in unranked systems to calculate the disposition of ethnic groups to secede, the possible patterns of ethnic party conflict, the militarization of ethnic conflict, and public policy alternatives for decreasing ethnic conflict.

[25] Barrington Moore, Jr., *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (Boston: Beacon Press, 1966), 486.

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an advanced group describes a backward group as "poor," is the advanced group reinforcing a psychological prejudice or simply describing real economic differences that stand at the heart of an ethnic conflict? In addition, Horowitz argues that these evaluations are important in delineating ethnic conflict only in unranked systems, because in ranked systems ethnic conflict is subsumed under the rubric of social revolutions fed by class conflict. However, if ethnic evaluations bring to life and reinforce the advanced and backward characteristics of various ethnic groups, why should they not result in ranked systems where the dynamic of conflict is class-based and not ethnically based? By focusing on the psychological dynamic of ethnicity, Horowitz echoes many of the earlier primordialist arguments while rejecting their logic. In addition, in a ranked system, such as exists in South Africa, can a convincing argument be made that revolutionary conflict is not also ethnic conflict? Finally, the introduction of a colonizer to upset the delicate balance among ethnic groups and hence re-create ethnic divisions helps little in the identification of the source of ethnic conflict in the developed world. What are the forces that can upset the balance between ethnic groups and re-create ethnic conflict in the industrialized world—where there is no overwhelming intervention by a colonizer that redefines the relationship among ethnic groups?

I believe that in decrying modernization theories regarding the rise and direction of ethnic political conflict, Horowitz has thrown out the baby with the bath water. Although the modernization approach has not yet yielded a satisfactory analysis of the internal dynamic of ethnic conflict, that does not mean that it does not have the potential to account for the development of ethnic political movements and the direction of ethnic conflict. If modernization is not a sufficient force to explain ethnic political conflict, it does nonetheless contribute to our understanding of it.

Re-creating "Primordial" Identities

The three most prevalent weaknesses of the modernization paradigm are all closely interrelated. By emphasizing the causes of the rise of ethnic movements, conflictual modernization theorists avoid detailed discussion of the ideological, strategic, and organizational apparatus of ethnic movements. And in emphasizing the economic and political interests of elites, theorists have avoided discussing the role of ethnic boundaries and ethnic cultural and ideological markers for determining the depth and breadth of movement support. However, these weaknesses are not an

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inevitable result of using the conflictual modernization paradigm. For too long scholars have taken the creation of modern ethnic identifications for granted without analyzing the process of re-creating these identifications and its impact in the politicization of these identifications.

The modernization process does more than provide the underlying conditions for the rise of many social and political movements. It also helps sculpt the institutional structure and ideological character of these movements; that, together with their relationship to other institutionalized political structures, ultimately determines the success or failure of new single-issue movements. The process of modernization also forms and politicizes social and political identities in new ways. The manner in which ideologies and organizations tap these ethnic identities plays a key role in determining the long-term viability of new ethnic movements and, consequently, the direction of ethnic conflict.

The study of ethnic conflict would be greatly enhanced if scholars focused on the manner in which modernization politicizes ethnic identifications. Unfortunately, few scholars of ethnic politics have focused on this politicization process. We must look instead to other areas of scholarship to understand how the politicization of social identities might influence the development of primordial political conflicts.

Students of the role of religion in politics have always placed more emphasis on the ideological roots of politicized identifications. Since the late 1970s there has been a resurgence of religious political movements in the United States, the Middle East, and North Africa. These movements encourage a greater role in state structures and institutions for clergy, theology, and practice. Some students of this resurgence have been particularly intrigued by the re-creation of religious theologies designed to accommodate an increase in religious political activity. Their study of this process sheds light on the ramifications of modernization and development on the ideological composition and direction of movements tied to cultural identities such as religion and ethnicity.

The best work to address the political ramifications of the theological re-creation process is Fouad Ajami's superb *The Vanished Imam: Musa al Sadr and Shia of Lebanon*.[26] Ajami tells the life story of Musa al Sadr, an Iranian Shi'i cleric who moved to Lebanon in 1959 and helped mobilize

[26] There is a large literature on the resurgence of Islam in politics since the Iranian revolution. See, for example, Said Amir Arjomand, *The Turban for the Crown: The Islamic Revolution in Iran* (New York: Oxford University Press, 1988).

This process of re-creation and redefinition also occurred among fundamentalist Protestants in the United States. See James A. Speer, "The New Christian Right and Its Parent Company: A Study in Political Contrasts," in David G. Bromley and Anson Shupe, eds., *New Christian Politics* (Macon, Ga.: Mercer University Press, 1984), 19–20.

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the Shi'a of Lebanon in the hope of enhancing their social, economic, and political power. Musa al Sadr in Lebanon and Ali Shariati in Iran led the way in using Shi'a symbolism in the battle to overcome political oppression. This left a significant religious and political legacy. The formative myth of Shi'a theology had never before been interpreted to promote political challenging movements. This re-creation of religious myth paved the way for the resuscitation of religious political activity in the Shi'a world.

In Shi'a Islam the traditional martyrdom story of Hussein has symbolized the Shi'a relationship to political activity. Shi'a believe that the caliphate, or leadership of the Muslim community, should eventually have passed from Muhammed the Prophet to Ali, his devoted follower, cousin, and son-in-law. However, when Ali died, his son, Hussein, and Hussein's seventy followers were martyred in a battle against the vast army of Yazid. Yazid went on to solidify the Ummayyed dynasty in Damascus, which was recognized by the politically dominant Sunnis, while the subservient minority of Shi'a recognized the line of caliphs through Hussein's lineage.

For centuries Shi'a had interpreted this story as an allegorical representation of the plight of their community: they would suffer and be martyred at the hands of the Sunnis until the Twelfth Imam, or caliph, a heaven-sent Messiah, intervened on their behalf to establish Shi'a dominance over the Sunnis. This interpretation had always reinforced the political passivity of Shi'a—until the 1970s, when the story of the martyrdom of Hussein was re-created. Instead, Shi'a were told, the willingness of Hussein and his band of followers to challenge Yazid's powerful army should serve as a model for how Shi'a should actively stand up and combat oppression.

Ajami focuses on the dual impact of this re-creation. First, it established a theological justification for the participation of the devout in the secular political arena. Second, it created a political myth fed by religious symbolism that structured political perceptions in Lebanon. When Sadr disappeared under mysterious circumstances in Libya, his life took on new meaning as a modern manifestation of the life of the Hidden Imam, who had led the Shi'a community and disappeared centuries ago with the promise that he would return again and lead the community to its deserved glory. To understand the political reactions to the life of Sadr, one must understand the mythology of Shi'a Islam.

The emphasis placed by students of religious politics on the ideological and organizational components of a re-created religious identity contrasts sharply with the lack of similar emphasis on the part of students

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of ethnic politics. One might argue that this difference in emphasis is rooted in the relative immaturity of the "religion in politics literature," which is still mired in the descriptive rather than the analytical. More accurately, it appears that the difference in emphasis is a function of the different organizational and symbolic character of religion and ethnicity.

Religious political movements that try to mobilize new political constituencies by appealing to a common religious tradition maintain certain tactical advantages over ethnic political movements. Organized religion provides a ready, integrated organizational structure and ecclesiastical leadership that does not flow from the existence of an ethnic group. In addition, religious political elites can often appeal to a common moral or ethical code. At different moments in history this moral code can be reinterpreted to attack social ills that require political rectification. Following the nineteenth-century waves of Irish and German immigration to the United States, for example, mainstream Protestants invoked their own moral codes, as defined by their religion, to mobilize support for prohibition. In the 1990s fundamentalists use the moral codes in their religious beliefs to mobilize in favor of the prohibition of abortion. Islam and Judaism provide rich codes of civil, religious, and criminal law that can be invoked to promote the integration of religious law into state legal systems. And indeed, in the Islamic world and in Israel, religious political movements have lobbied successfully to that end. A broad political agenda often flows from the religious beliefs upon which religious political movements are based.

The same cannot be said for ethnic political movements unless they also politicize religious symbols.[27] Although an ethnic identity is traditionally infused with a rich cultural, historical, and linguistic heritage, these symbols do little more than promote a psychological unity within an ethnic community. They neither create nor define a political agenda.[28] Thus, the willingness of students of religious politics to focus on religion is a reflection of the subject matter. The willingness of students of ethnic politics to avoid a discussion of ethnicity is a function of subject matter compounded by the constricting influence of the modernization perspective.

[27] At least in the industrialized world most ethnic political movements over the last twenty-five years have not politicized religious symbols. The forthcoming pages will elaborate on this point.

[28] The recent upsurge in demands for ethnoregional autonomy—the single focus of many ethnic movements—reinforces this observation. Once autonomy is considered by the national electorate, whether it is granted or not, the issue tends to lose its salience. This was the case with the autonomy movements in Scotland, Wales, Belgium, and Quebec in the 1970s and 1980s. Ethnicity did not provide a rich political agenda beyond the demand for regional autonomy.

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Juan Linz has attempted to surmount these limitations in his article "From Primordialism to Nationalism" (Tiryakian and Rogowski, chap. 10). Linz examines the re-creation of ethnic identities and ethnic agendas in Spanish ethnoregions. He studies survey data from the Spanish and French Basque regions, Catalonia, Galicia, and Valencia to determine the forces that led to the structuring and re-creation of ethnic identities. Linz argues that traditional ethnic nationalist movements generally advocate primordial conceptions of nationalism rooted in common ancestry and the use of common ethnic instruments such as language. Over time, however, the processes of ethnic intermarriage and migration make these primordial sentiments increasingly anachronistic. As a result, ethnic nationalists turn to a territorial conception of ethnicity in their drive for regional autonomy that would be inclusive of those who do not fit the primordial qualifications of ethnicity. This conception of ethnicity inevitably creates a crisis of legitimacy within the ethnic movement. The movement is forced to shed its ethnic identity, which provides it with cultural roots and ties it to a historical past. Instead, the language of ethnic protest is limited to demands for regional autonomy. These demands have no unique ethnic character when compared with other autonomy movements. Consequently, the ethnic movement turns to primordial elements to reinforce its distinctiveness. Residents who are not members of the majority ethnic group within the region are forced to assimilate or challenge the ideology of the leadership of the ethnic movement. In the process, the creation of this tension between those who emphasize cultural identity and those who do not results in ethnic factionalism that over the long term may influence the internal ideological and organizational coherence of ethnic movements.

Unlike the earlier conflictual modernization theorists who only described the reasons for the emergence of ethnic conflict, Linz takes the conflictual modernization logic one step further. He is the first to argue that even if ethnic identities are re-created by the forces of social, economic, and political change, this process challenges ethnic movements in ways that might influence their strategies and tactics. This insight can tie the modernization approach to the ideological mobilization of ethnic political identities.

Linz has shown that an examination of the newly re-created ethnic identities can account for the role of mass support for ethnic political movements, describe the tensions embedded in ethnic ideologies, and help explain more than merely the forces that led to the initial rise of ethnic movements. The re-creation process can serve as an independent variable in describing the ideology and organization of ethnic move-

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ments. This perspective can be highlighted by examining briefly the re-creation of ethnic identities in Quebec and Brussels. In both cases the process of re-creation led to the politicization of ethnic identifications and affected the direction taken by rising ethnic movements.

Expanding the Modernization Approach: The Re-creation Process

In the early 1960s many ethnic political movements rose to prominence in Western democracies. The most active political movements appeared in Canada, the United Kingdom, Belgium, Spain, Greenland, and Switzerland.[29] In several countries the leadership of these ethnic movements coalesced around political parties whose primary raison d'être was the improvement of the cultural, social, economic, and political conditions of their potential ethnic constituency.

The most successful of these ethnoregional parties appeared in Scotland, Quebec, and Belgium. The Scottish National Party in Scotland, the Parti Québecois in Quebec, the Volksunie in Flanders, the Rassemblement Wallon in Wallonia, and the Front Démocratique des Francophones in Brussels all arose as a result of electoral dealignments in their respective regions.[30] These dealignments were a result of the modernization process, namely, the declining importance of party social institutions, the communications revolution, the wide availability of educational opportunities, and social mobility. Dealignment provided the ethnoregional parties with large potential constituencies.

The ethnoregional parties were able to capitalize on dealignment because many industrialized democracies became increasingly concerned with regional political problems in the early 1960s. This new concern highlighted the ethnoregional parties' programs for regional autonomy.

The tensions embedded in the centralization and bureaucratization of the 1940s and 1950s set the conditions for the rise of regional concerns. Because of these tensions, the state and the traditional parties, in spite of their commitment to centralization, began to advocate regional policies.

It is not coincidental that in the 1940s and 1950s ethnoregional issues were not prominent in Western democracies. These states were centralizing political power and trying to mute the negative impact of unfet-

[29] Joseph R. Rudolph and Robert J. Thompson, "Ethnoterritorial Movements and the Policy Process: Accommodating Nationalist Demands in the Developed World" (Paper presented at the annual meeting of the Midwest Political Science Association, Milwaukee, Wisconsin, April 29–May 2, 1982), 1.

[30] See Newman (fn. 2), chap. 5.

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tered economic forces. National governments created extensive social welfare schemes, regulated economic institutions, and stimulated economic growth, in the hope of limiting the debilitating consequences of the business cycle. The introduction of the mixed economy, the social welfare state, and full employment, as well as a commitment to economic growth, expanded the scope of centralized power. Regional governments merely helped execute national policies.

Nevertheless, it was precisely this centralization that provided the impetus for a new emphasis on regional concerns, for careful analysis by the central governments revealed the debilitating impact of regional economic problems. In the late 1950s and the early 1960s each of the dominant political parties offered its own proposals for solving these problems. Soon the state developed regional policies in response to the growing concern with regional problems. These policies intensified the attention that was paid to regional political issues.

Increased emphasis on regional issues served to re-create ethnic identifications in Scotland, Belgium, and Quebec, while dealignment created the vacuum in which these new identities could be politicized. This recreation process not only led to the rise of new ethnic movements but also defined their ideologies and organizational structures. The concomitant processes of economic modernization and political centralization played key roles in determining the long-term success of these ethnic movements.

The combined influence of the modernization and centralization processes re-created ethnic identifications and ethnic organizations in Quebec and Brussels, thus determining the ultimate successes and failures of the Parti Québecois and the Front Démocratique des Francophones.[31] Prior to 1960 the dominant ethnic identity for Canadians of French origin was a French Canadian identity that manifested itself politically in the ideology of *la survivance*. The traditional rural parish culture of French Canada was glorified for its commitment to intellectual and cultural pursuits, whereas the materialistic, industrialized, secular Anglophone society was denigrated. The government of Quebec encouraged a French Canadian nationalism based on church domination of social and educational institutions and minimal governmental involvement in social and economic affairs. French Canadian nationalists saw Canadian confederation as a convenient institutional arrangement for maintaining their traditional parish social structure.

The political manifestation of *la survivance* became increasingly

[31] Of the five parties mentioned above, the PQ and FDF serve as the most striking examples of this re-creation, which affected all five parties.

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anachronistic in the wake of postwar economic modernization in Quebec. In 1960 a new Liberal government in Quebec initiated a series of reforms designed to expand the scope of provincial social and economic programs. This era of reform, which lasted until 1966, came to be known as the Quiet Revolution. During and after that period the expansion in the size and powers of the Quebec provincial government had a definite effect on the ethnic identity of French Canadians. The Quebec government became the focus of Francophone aspirations for social and economic equality with Canadian Anglophones. French Canadian nationalism was transformed into Quebecois nationalism. The focus of ethnic identity shifted from the mythology of French Canadian parish culture to the Quebec state. Conservative nationalism that promoted political stagnation within confederation was swept away by demands for the expansion of the autonomous powers of Quebec. Both religious beliefs and ecclesiastical institutions were swept aside by a secular ideology centered on the role of the state in bringing Quebecois into the modern world. The idea that all French Canadians throughout Canada were connected by a common culture became passé. It was supplanted by a Quebecois identity that included only the Francophones of Quebec. It was these Francophones who could be "masters in their own house," possibly through independence for Quebec.[32] Thus, economic modernization broke down the old ethnic identities, while changes in state structures helped re-create them. This re-creation of ethnic identities in Quebec served as the ideological foundation for the growth of the PQ, an ethnic political party that advocated sovereignty for Quebec.

The process of economic modernization and political reforms also re-created ethnic identities in Brussels in the early 1960s. Belgium is divided into two ethnolinguistic regions, Dutch-speaking Flanders and French-speaking Wallonia. Ethnonationalist movements had traditionally erupted in Flanders and Wallonia, and the citizens of Brussels had traditionally identified with one ethnic region or the other on the basis of linguistic and ancestral ties.[33] However, a series of economic and legal changes in the early 1960s re-created a new Bruxellois identity for Francophones in Brussels.

[32] "Masters in our own house" was the slogan of the Parti Liberal du Québec during the key Quiet Revolution election of 1962.

[33] Brussels, the Belgian capital, is geographically located in Flanders and during the nineteenth century was a predominantly Dutch-speaking city. However, by the 1960s, 80% of the city's residents spoke French as their first language. Nevertheless, Brussels has always been legally recognized as a bilingual city. Since the 1950s the Francophone suburbs of Brussels have been extending into the countryside of Flanders, creating an "oil stain" that Dutch speakers have tried to limit through a linguistic "iron collar" around Francophone Brussels.

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In response to the economic expansion of Francophone Brussels, which was perceived as a demographic threat by Dutch speakers, the government of Belgium passed a series of laws in the early 1960s to protect the bilingual status of the city. The boundaries of bilingual Brussels were drawn to exclude the Francophone suburbs of the city, which lay geographically within Flanders. Consequently, Francophones in certain areas of suburban Brussels were forced to educate their children in Dutch.

The impact of this legislation on politics in Brussels was profound. In response to the imposition of language options on the population, the city's Francophones responded by forming a new political party, the Front Démocratique des Francophones. The FDF initially advocated the protection of parental freedom of choice regarding the language of a child's education. Within four years the FDF began to argue that the best way to defend this freedom of choice was to achieve regional autonomy for Brussels. The new FDF constituency was an amalgam of citizens who traced their ancestry to residents of Brussels, as well as to Flemings and Walloons. Some supporters of the FDF had been born in Flanders and moved to Brussels. Their new common identity was that of French speakers in Brussels. They were Bruxellois but certainly not Walloons. Thus, the linguistic legislation of the early 1960s paved the way for the creation of a new Bruxellois identity and the rise of a powerful ethnic political movement.

For the students of ethnic politics from the modernization school this re-creation of ethnic identities does not come as a surprise. Although they have traditionally emphasized the role of economic modernization rather than political centralization and regionalization in the re-creation process, they would agree that this process paved the way for the ethnic resurgence. But the characteristics of this new ethnic identity have not been perceived as directly relevant to the evolution of ethnic political conflict. This is where the conflictual modernization paradigm has been undersold. The re-created identity had become an important independent variable in determining the evolution of conflict.

Scholars have often asked how politicized ethnic identifications can overcome the traditional social and economic divisions in most polities. Clearly, the re-creation of ethnic identities has opened the door to ethnic political movements by raising issues not addressed by the traditional political elites. In Quebec and Brussels, in particular, the PQ and FDF both emphasized issues of regional autonomy that were not addressed by the major political parties. As a result, these parties cut across the old

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cleavage lines and formed new electoral coalitions. However, the recreation of ethnic identities also built political limits into the success of these movements.

The new ethnic political movements sprang from the ashes of the devastated old ethnic identities. The Quebecois nationalist movement was the antithesis of French Canadian nationalism. The Bruxellois movement presupposed the denial of Flemish and Walloon identities. This has more than just rhetorical significance. The elites and institutions that had fed earlier ethnic identities were now swept aside and made irrelevant. The resources and institutions of French Canadian nationalism had been decimated and were of no political use to the PQ. Similarly, the FDF could not tap any social or political institutional base. In contrast to religious movements, which might have vast institutional networks to tap, the new ethnic movements have to form an organizational base from the bottom up and therefore lack the patronage network that gives supporters strong social links to the parties. It is quite difficult to overcome the long-established social and economic networks of the traditional political parties without an apparatus of one's own.

Instead of relying on existing institutional networks, the new ethnic political movements have to rely on ideological legitimacy to cement their constituency. However, as Linz has noted, these new ideological legitimacies lack primordial roots or anything else that underscores the cultural uniqueness of the ethnic group. Instead they are territorial ethnicities that promote regional autonomy or independence. The ethnic agenda of autonomy is a limited one that can be realized with a clearly defined legislative package, but once it has been acted upon it leaves the ethnic movement without a raison d'être. Indeed, this is precisely what has happened in most cases involving the rise of ethnic movements in industrialized democracies. For example, the referendum defeats on sovereignty-association for Quebec and on devolution for Scotland led to the decline of ethnic movements in these regions. In essence the very recreation of ethnic identities has created the potential for ethnic movements but has left them without competitive institutional and ideological resources.

This analysis allows us to reevaluate the validity of the conflictual modernization approach. Clearly, social, economic, and political modernization can account for more than just the necessary conditions for the rise of ethnic conflict. The manner in which modernization recreates and politicizes ethnic identifications may also determine the ideological and organizational resources available to ethnic movements. It is the distribution of these resources that determines the success of ethnic

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movements and the future direction of ethnic conflict. In industrialized democracies modernization often creates the conditions for ethnic conflict while destroying the links between an ethnic movement and its ideological and organizational heritage. In authoritarian states, where the distribution of these resources is determined more by state power than by the process of economic modernization, ethnic conflict rises and falls as a function of the government's ability to redistribute political resources.

Several tests of this approach could be found in countries in which ethnic movements have arisen following moves toward democratization. Such case studies might include the ethnic autonomy movements in Spain and the Baltic Republics. The rise of these ethnic movements cannot easily be attributed to conflictual modernization. Economic modernization in the decades prior to the death of Franco and the emergence of *perestroika* was minimal. Rather, the collapse of mobilizing political parties in these ethnic regions led to a political dealignment that provided facilitating conditions for the emergence of new social movements. Furthermore, the high degree of centralization of the authoritarian and totalitarian states and its differential impact on various ethnic regions fueled ethnic resentments.

Although the redistribution of resources by the state created the conditions for the rise of these ethnic movements, it also deprived them of their traditional romantic cultural symbols and ethnic organizations. As a result, the Basque, Catalan, Lithuanian, Estonian, and Latvian movements are in a strategic paradox. They are at once re-creating an older romantic nationalist identity and forging a newer political identity. The romantic nationalist identity has been stripped of much of its organizational structure by years of centralizing dictatorship. Meanwhile, emphasis on the economic, as opposed to cultural, benefits of autonomy creates a set of expectations that ethnic leaders will have as much success of fullfilling as Mikhail Gorbachev has had. The success of the Baltic movements is dependent upon overcoming this strategic problem, a problem the Catalans and Basques have been wrestling with for well over a decade.

Conclusion

An argument that emphasizes the ethnic component of ethnic movements, rather that merely the large economic and political changes that precede the creation of ethnic movements, provides meaningful insights into the study of the direction of ethnic political conflict in both the in-

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dustrialized and the developing worlds.[34] By emphasizing the ideological component of ethnicity, it addresses the reasons for mass participation in ethnic movements, brings an ethnic component to the study of ethnic politics, and expands the purview of the conflictual modernization approach. We are not advocating the abandonment of the modernization paradigm in favor of a social movement approach that emphasizes resources, ideologies, and mobilization tactics over macroeconomic and political forces. Rather, we argue that the two should be combined. Only through a proper interpretation of the conflictual modernization approach—one that emphasizes the relationship between macroeconomic and political changes and their influence on specific political movements and institutions—can we live up to the promise of the modernization paradigm, create an integrated theory of ethnic conflict, and address many of the essential questions that most students of ethnic conflict have not yet considered. The resurgence of ethnic conflict in the communist world now makes this task imperative.

[34] In the Third World, the paucity of opposing institutional networks and integrated ideological systems has meant that even newly re-created ethnic movements might be able to survive the obstacles that bring down ethnic political movements in the developed world.

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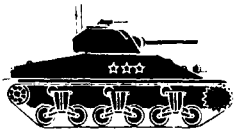

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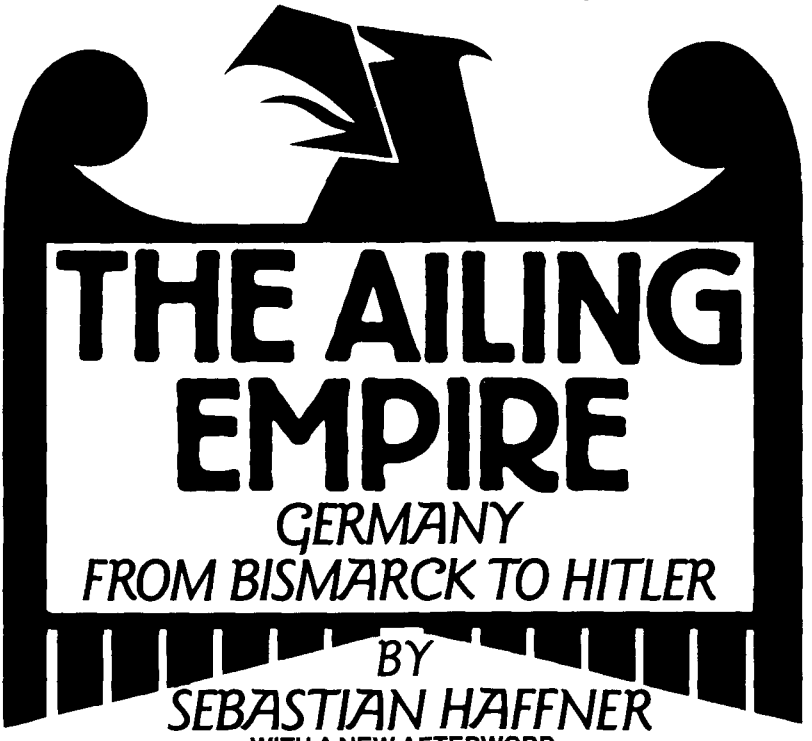

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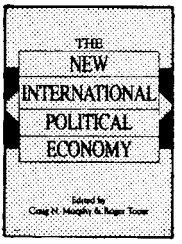

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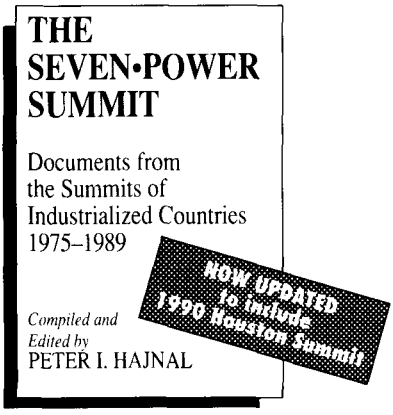

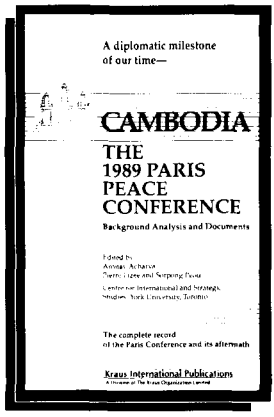

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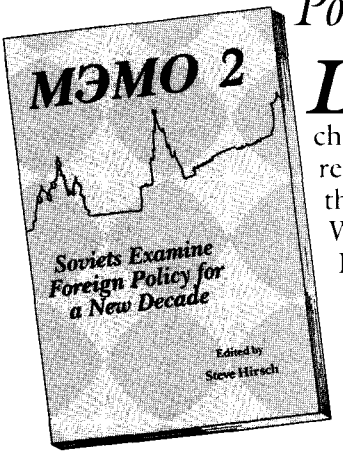

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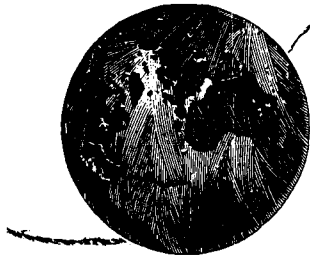

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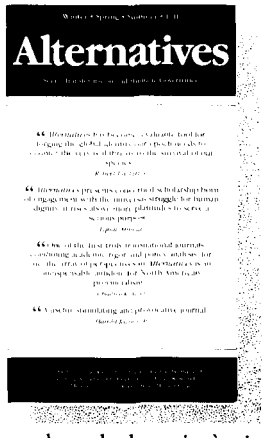

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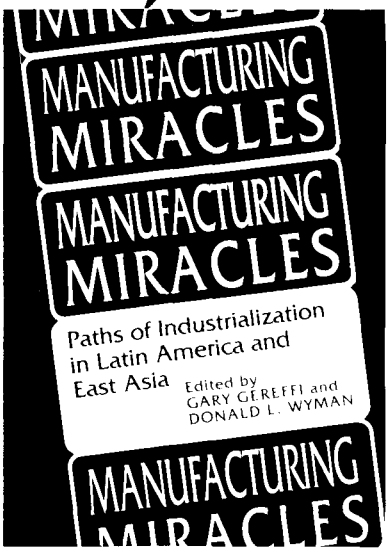

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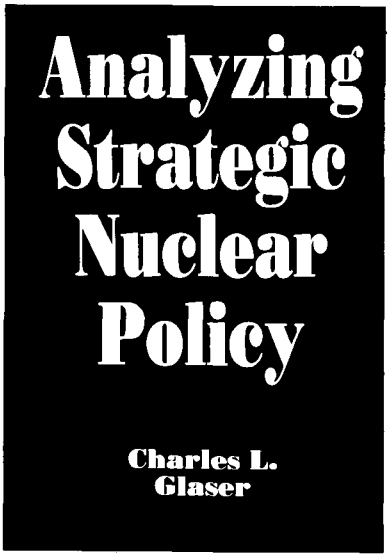

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